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worked as farm editor and editorial writer at The Courier-Journal in Louisville, Ky., from 1948 to 1959, including a term as president of the Newspaper Farm Editors of America. The period also included an effort to form a local unit of The Newspaper Guild. "It was an abortive effort, and it didn't make things very good for us."

In 1958, he was named by the Ford Foundation as a Fund for Adult Education Fellow to help improve understanding of agriculture in the metropolitan media. He then worked for a year as editor of The Daily Plainsman in Huron, S.D., before his move to Memphis. Here he worked as a copy editor, assistant city editor, part-time editorial writer and columnist before he became a full-time editorial writer in 1967.

In 1977, as Food and Farm columnist and editorial writer for The Commercial Appeal, he received the prestigious J. S. Russell Award from the Newspaper Farm Editors of America. The memorial award, named for a former farm editor of the Des Moines Register and Tribune and late cofounder of the organization, honored him for excellence as a journalist who had written farm news and agricultural commentary throughout his career.

Without once becoming a drunken bum, Kieck says he "wouldn't have missed the newspaper business for anything." And it is a matter of pride for him that newspapers "do things better than they used to."

Part of the reason is his own role in it. E. B. Blackburn, former assistant managing editor of The Commercial Appeal and now managing editor of the Rocky Mountain News in Denver, was surprised by news of Kieck's retirement only long enough to respond: "He can't do that. That's a little like the Rock of Gibraltar retiring."

CONCLUSION OF MORNING BUSINESS

The PRESIDING OFFICER. Is there further morning business? If not, morning business is closed.

RECESS UNTIL 2 P.M.

The PRESIDING OFFICER. Under the previous order, the Senate will now stand in recess until 2 p.m. today.

Thereupon, at 12 noon, the Senate recessed until 2 p.m.; whereupon, the Senate reassembled when called to order by the Presiding Officer (Mr. LUGAR).

SOCIAL SECURITY ACT AMENDMENTS OF 1983

The PRESIDING OFFICER. The clerk will report the unfinished business.

The assistant legislative clerk read as follows:

A bill (H.R. 1900) to assure the solvency of the Social Security Trust Funds, to reform the medicare reimbursement of hospitals, to extend the Federal supplemental compensation program, and for other purposes.

The Senate resumed consideration of the bill.

DOLE AMENDMENT NO. 532 TO MELCHER AMENDMENT NO. 531, AS MODIFIED

Mr. DOLE. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. HUMPHREY. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. HUMPHREY. Mr. President, I want to read into the Record portions of a brief letter that came to my office on the subject of social security. I think Members are well advised to consider the effect of this so-called social security upon those who pay the social security taxes as well as those who are on the receiving end of social security benefits.

If the Congress chooses to continue to raise social security taxes year after year, as has been the case in the last decade, unwittingly we shall create a generation gap involving a bitterness that will be terribly destructive to social progress.

In that context, Mr. President, I will read a portion of a letter, substituting false names for those in the letter. The letter is undated, but it has recently arrived in my office.

DEAR SENATOR: John Jones no longer lives at the above address. He has moved to Florida. My husband and I have moved here from New York so you are now our Senator.

We received your update on social security in the mail. Mr. Jones who has a \$100,000.00 condo in Florida and a summer home in Maine would have been glad to hear you don't intend to reduce his social security benefits. I on the other hand am sick and tired of having my social security tax increased.

As you and your fellow Senator well know the most politically powerful group in this country is the senior citizen. This is a generation that was never taxed by the Federal, State, or local government the way you so freely tax us, their children. You tax us to support a generation that controls 80% of the wealth in this country. You tax us to support a generation that owns more real estate than any other generation, more stocks and more bonds. You tax us to support federal workers whose system has been running a deficit since 1976. You tax us to support double dippers. I am fed up with your taking my money to support other people most of whom are better off than I am.

I intend to be politically active and if you vote to increase my taxes to ensure the John Jones' of this world can continue to spend winters in Florida and summers in Maine, if you continue to tax my generation in ways you never taxed our parents, I will do everything I can to see you defeated.

Mr. President, to be sure, the tone of this letter is intemperate and rude and threatening, but I think that is precisely the kind of sentiment that we shall engender in greater numbers if we continually raise the social security tax which today, as has been pointed out, is the highest tax, the greatest tax borne by most working Americans; that is, more money is deducted from their pay in the form of social security taxes than any taxes they pay to the IRS.

As our colleague from Colorado has pointed out so very well in a dear colleague letter which all of us received recently:

Raising payroll taxes on workers means reducing the real income of those whose

income has barely kept pace, or actually fallen behind, rising prices in order to sustain a rate of benefit increase for those whose benefits have increased much faster than the cost of living in recent years.

Mr. President, I conclude by urging my colleagues to give careful consideration to the tax raising aspects of this so-called reform proposal, which is a proposal very short on reform and very long on tax increases.

I do not know where the breaking point is, but I am convinced that we are getting very close to it if this letter and others like it, although not quite as intemperate, that I have received are any indication.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. DOLE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

The Senator from Kansas.

Mr. DOLE. Mr. President, let the Senator from Kansas indicate that it is still my hope that we can, in some way, move along on the social security bill and get away from the withholding issue. It seems to me it is not to anyone's interest to do otherwise, particularly since we have a time set to fully debate the withholding issue, or redebate the withholding issue.

I had a brief visit with the President this morning, and I must say the President feels strongly about the withholding provision.

I believe he was quite distressed regard to the American Bankers Association, I think his statement, was released as a result of that, was a result of that feeling, closes by saying, "As I said last week it would be far better if the ban spent less time lobbying and in time lowering interest rates."

Mr. President, I ask unanimous consent that the statement by the President, dated March 22, 1983, be printed in the Record at this point.

There being no objection, the statement was ordered to be printed in the Record, as follows:

STATEMENT BY THE PRESIDENT

One of the most important pieces of legislation to be considered by the Congress this year is being held hostage by a small but highly funded and organized special interest group.

Until a few days ago, it appeared that an omnibus bill to make Social Security solvent and extend supplemental unemployment benefits would be enacted this week. I would have gladly signed this vital measure to relieve legitimate worries about the economic security of so many.

Now, however, a selfish special interest group and its Congressional allies are attempting to make this vital economic security bill a legislative hostage. But let me make absolutely clear that an unrelated rider amendment—based on a campaign of distortion and designed to prove that the

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banks and other financial institutions can still have their own way in Washington—has no place in the bill pending before the Senate.

We should not accept an amendment designed to prevent the collection of taxes that are already owed on interest and dividends—even if the financial institutions find it inconvenient.

This morning I have strongly urged the leadership of the Senate to take whatever steps may be needed to free the economic security bill from this blatant attempt at legislative hostage taking. The Social Security and unemployment insurance lifeline that extends to millions of Americans across the breadth and width of our land cannot be permitted to be severed by the obstructionist tactics of a Washington lobby and its Congressional friends. As I said last week, it would be far better if the bankers spent less time lobbying and more time lowering interest rates.

Mr. DOLE. Mr. President, I do not think anyone would quarrel with lower interest rates. That leads me to the pending amendment. It requires the banks to lower their prime interest rate to 8-percent interest, to qualify for a 6-month delay in withholding. In addition to qualify for the new money market accounts you would not have to have \$2,500, but you could get into the money market accounts with \$500. That merely puts the focus where it belongs, on people, rather than bankers.

I would hope if we could dispose of the Melcher amendment either with adoption of the second-degree amendment or with some other parliamentary procedure, that we could finish the social security bill today. That may be somewhat optimistic. The Senator from Kansas has no idea how we are going to dispose of the Melcher amendment.

As I looked over the amendments on social security, there are only about four or five that would require rollcall votes and there is a strong desire by the President of the United States, by the House leadership which already passed the social security bill, and by the Senate leadership, at least on this side, to try to pass the social security bill and go to conference and pass the conference report by Thursday evening.

In order to do that, we have a lot of work to do.

Mr. President, I would think within the next few minutes there would be some move made to resolve the impasse. In the meantime, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. MELCHER. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MELCHER. Mr. President, if we want to move on to social security and do just as the Senator requested, with prompt consideration of my amendment and other amendments without

too many rollcalls, we can do that just any time we vote on this issue.

This is not a game we are playing here, to offer an amendment that does not get voted upon. I guess I could vote to table the chairman's amendment, but I hesitate to do that to the chairman of the Finance Committee. I just hate to do that. We could suggest that that amendment be voted upon with a voice vote and be dispensed with. We could suggest that, instead of making a point of order against my amendment, we vote on a motion to waive the budget rules concerning the amendment, pass it, and get on.

Are we to be lambasted here, those of us who feel very seriously, very objectively, and very sincerely that this is a provision that ought to be passed by the Congress and ought to be signed into law by the President so that the Senate can reconsider what, in my judgment, and probably in the judgment of other Senators, was very poor tax policy in the Tax Act of 1982, last summer?

If the House does not like my amendment, they are going to knock it off. But the House must like it or the Senator from Kansas would not be carrying on a filibuster against his own bill. If the President does not like it, he has a chance to veto the bill, but I do not think he is going to veto this bill. That is a good reason for having this very serious provision in this particular bill, because this is one that the President is probably going to sign.

These people who write in to us should not be glibly described as if they do not know what they are talking about, that they are just responding to what a banker told them to do or suggested they do. I never take the letters of my constituents lightly. I take their letters seriously.

We receive letters that say:

This is the first time I have ever written to a Member of Congress, but I want to write to you, about this because we think this is too much. We are already paying all of our taxes and here is another withholding tax on savings. The IRS is going to remove a portion of the interest due to us as a 10-percent tax. They are going to use it for up to a year.

Here is a typical letter on that very point:

I have never written an elected official in the past but at this point I feel compelled to express my opinion. I feel that the 10 percent withholding tax on our savings should be repealed because it imposes an unnecessary and unfair burden on savers. The current laws requiring the reporting of interest income are burdensome enough to one's savings institution but they alone should be adequate to assure that interest income is being reported to the Treasury Department.

I know our Government is facing a tremendous problem in financing its operations and withholding from savings accounts seems like a relatively painless way to insure that the inflow of tax revenue is smooth and uninterrupted. However, the approach taken by this new withholding law in effect punishes those who are helping to finance new jobs and capital construction by reducing the amount of return they can receive,

having 10 percent of their savings removed and given to the Government.

It goes on to say that they object to it and hope that something will be done.

That is a letter "writ by hand." That does not seem to me to be something generated at the request of a bank, or the request of a savings and loan, or, for that matter, a credit union. For those of us who take this position that something should be done about it, I do not think it serves any good purpose simply to say: "Well, this has been caused by the bankers lobby." Personally, I have never found a bankers lobby that had influence with very many Senators to hold up a process here for consideration of something that they dearly want.

I have observed, over my time in Washington, both in the House and the Senate, that when people really zero in on a point that they think they are being abused on, they do get the attention of Congress, both the House and the Senate. In this instance, I know it has captured my attention. It has captured, I think, the attention of the vast majority of the Senate. It is because these people write to us, or call us, or buttonhole us, or get us on the telephone and say this is just too much.

I am particularly sympathetic to the elderly who write in and say they depend upon their savings, the interest from their savings, for part of their monthly bills. But I would have to say that I am also very sympathetic to the ordinary wage earner who has withholding out of his paycheck and knows that he is paying all that is due. I am advised by the Treasury Department that 75 percent of those taxpayers pay more than is due and at the end of the year get a refund. So I think it is apparent to that group, when they know that on withholding they are paying a little bit more than they should, it is particularly objectionable to them when they find out that there is going to be money withheld on their savings accounts from the interest that is due them. I can well understand their frustration. They are saying: "If you are after cheaters, why do you not zero in on them?"

As a matter of fact, in discussion with members of the Committee on Finance during the past couple of days, it has been brought to my attention that, even though this provision was locked into the 1982 tax law very quickly, without hearings, some of the members of the Committee on Finance, after the fact of its getting into the bill, went to the Treasury Department and said: "Tell us where you believe there are taxpayers escaping paying their just taxes, their lawful taxes on interest from savings and dividends." They were told that it was impossible or their questions almost disregarded, shoved aside, and the Treasury Department said: "We really

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can't identify all of those and this procedure will help it."

When they were asked why the 1099 form, that form that every savings institution, or every insurance company, or other such institution must send out to all of the recipients of interest income, or dividend income, was not matched up with the 1040 form, it was very brusquely explained to them that it was not possible.

I think it is perfectly logical to respond to the constituents who are taxpayers and who are saying that this particular provision in law should be either repealed or delayed, either repealed or modified so that it is really zeroing in on those people who escape paying their taxes, rather than burdening everybody. As this constituent letter that I read stated, while it may seem a relatively painless way of securing more revenue that is needed for the Government, why must it become a burden on all, and particularly take away some of the interest income or dividend income from those who use it during the course of the year to pay their bills?

Yes, Mr. President, we can get on with this social security bill any time. We can certainly show some progress around here by getting this amendment in shape to pass and get on with the rest of the amendments; send this bill over to the House and, if the House is so inclined to agree with the amendment, fine. Then we send it to the President and, we hope, and I am confident that, on balance, he is going to sign it.

The question of taxation is a matter between the taxpayers and Congress primarily. I think this was a bad move last summer, this particular provision. That is my judgment. I would have to say that, based on the letters I have received, it is the judgment of the majority of my constituents that it was a bad move. But I think what is extremely important in this issue and should not be ignored, or forgotten, or shoved aside is that taxpayers are very concerned about the methods of paying taxes that involve them directly.

I am going to repeat that, Mr. President. Taxpayers are resigned to having to pay taxes. Who wants them? Nobody wants them. But they are resigned to paying them. They know that Congress must pass tax laws that will raise a sufficient amount of revenue. But taxpayers feel strongly about the method of collection of taxes from them and resent undue, unneeded hardship imposed on them.

I said yesterday in offering the amendment that, while I realize that passage of this amendment would mean \$1.1 billion less in this fiscal year for the Treasury, my best judgment is that it is still a very reasonable amendment because we can now have time to review better ways of collecting the revenue and, if it is the judgment of the majority of the Senate after revenue that this is still

the best way, we shall go along with that.

I doubt that that will be the case and we shall find a better way. But it is this particular method of collection that is being objected to by taxpayers.

It is a method that imposes on them an unnecessary withholding if they already pay all the taxes due. The IRS says that is 97 percent-plus of all taxpayers. They are not fools, these people who write to us. They do not take pen in hand or pencil in hand and write these letters with the idea that they are somehow being duped or being conned by one of the savings institutions. They are writing to us because they are taxpayers and they think this matter is important.

What they are really saying is that the method of collection of sufficient revenue has not been properly examined and this one must be a very costly method of collecting revenue.

Why would they say that? First, they know there is some cost to the savings institution where they draw their interest from their savings account. They know that. They understand that. And they know who is going to pay that. They are going to pay it. They are going to get less in interest because that savings institution has some cost in collecting the tax; and they know they are going to get less in interest if their practice is to let their interest income accrue to the principal rather than withdrawing it upon payment. If they do withdraw their interest income for living expenses many resent having the 10-percent tax withheld.

If the interest accrues and allowed to compound, as many of them do, at least a portion of it, they know that the early collection of taxes will take some of the money due them on that compounded principal which would generate more interest payments for them.

But they also believe that this is just added paperwork and that, after all, the form 1099, which reports all the interest income, should be adequate; that if something else needs to be done to close the gap for those who are not paying the taxes they should pay on interest income, then there should be other methods of collecting that, without involving them. It is in their judgment a poor method of collecting taxes, because they are already paying their full taxes.

So, first of all, although my amendment would decrease revenue for this fiscal year by \$1.1 billion, which is 0.6 percent of what is projected as a budget deficit, less than 1 percent, I strongly feel that we must find a better way and collect the money and make up the revenue that would be lost. I think that is what our constituents are writing to us about.

That is far removed from just a simple attaching a banking label to any Senator who dares offer an amendment to either repeal it or to delay the implementation of it, in

order to look at the method again and reconsider it. Labeling that attempt as just something that represents the banking lobby is not doing justice to the issue involved.

Mr. President, I do want to make progress. I see the chairman of the Budget Committee on the floor now, and I should like to expedite proceedings. The chairman of the Budget Committee desires to make a point of order against my amendment as being outside the budget waiver on the bill. To expedite that, I move, under section 904(b), to waive the relevant section contained in titles III and IV of the Budget Act.

The PRESIDING OFFICER. The motion is debatable.

Mr. MELCHER. Mr. President, while the chairman of the Budget Committee is getting ready to discuss this matter, I point out that, for all the reasons we have been citing for the consideration of this amendment to delay interest withholding and recognizing that it would deplete revenue by \$1.1 billion for the remainder of this fiscal year and possibly close to \$300 million for the first quarter of the succeeding fiscal year, I believe it is still obvious that there is a strong feeling throughout the country that this matter should be reviewed, thoroughly thought out, and possibly modified to make it a better method for the collection of taxes.

Mr. DOLE. Mr. President, I am sorry that I had to leave the Chamber briefly.

Again I say to the Senator from Montana that he is debating the issue, and I commend him for it. He has indicated many times what I consider to be accurate statements concerning whether you like withholding or not. He has fairly said many times that it is a collection procedure, not a tax; and that debate, or course, is helpful.

Before the Senator from New Mexico speaks, I just want to say that the unemployment implications in this bill are significant. Without going through all the States, if we do not take action this week, it is going to affect about 28,000 people in Alabama, 6,000 in Alaska, 209,000 in California, 14,000 in Colorado, 46,000 in Florida, 48,000 in Massachusetts, 92,000 in Michigan, 89,000 in Illinois, 57,000 in Indiana, 131,000 in New York, 78,000 in Ohio, 99,000 in Pennsylvania, 58,000 in Texas, 38,000 in Wisconsin, and 31,000 in Washington.

So I think it is fair to say that this social security bill does contain an urgently needed extension of the Federal supplemental compensation program that is due to expire at the end of this month. The problem is that we are not scheduled at this time to be in session next week and will not be here at the end of the month.

The FSC program provides extra benefits to the long-term unemployed who have exhausted their right to benefits under the regular State un-

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employment program (normally 26 weeks) and the Federal-State extended benefit program (13 weeks). Although there are slight differences between the House and Senate bills, both of them would provide \$2 billion or more in unemployment relief to the jobless over the next 6 months.

As the Senator from Louisiana said, if you lose, it is a filibuster. If you win, it is informed debate. So I hope we are in a period of informed debate; that eventually right will prevail; that we will not deny unemployment benefits to the jobless while we try to take care of a special interest group, particularly since we have already set a debate, starting April 15, a freestanding debate, with everybody having a chance to modify and otherwise offer amendments, and to debate this whole question of withholding. I certainly would expect the distinguished Senator from Montana to be an active participant.

Someone suggested that we have not had hearings, but I am reminded by staff that we did have hearings, a year ago today. We had hearings on the income tax compliance gap, in the Senate Finance Committee, and we had a discussion of withholding and alternatives to withholding. The DeGette-Grassley bill did not contain withholding, but did contain what we thought were tightening procedures, it would require more reporting, and its provisions were enacted as part of the 1982 act. But we were told by IRS at the hearing, very honestly, that it was not enough, and that withholding was also needed.

I read from a statement of Mr. Chasten, Assistant Treasury Secretary for Tax Policy. This is what he said in reference to our bill:

While improving and extending the information reporting network is clearly desirable, particularly to the extent that U.S. Government and corporate bearer obligations would become subject to reporting, we believe that the tax gap has grown too large for us to continue to take limited incremental steps toward improved taxpayer compliance in the interest and dividend area. For that reason, as you know, Mr. Chasten, the administration has proposed withholding on dividends and interest at source, and we hope the committee will give serious consideration to the desirability and feasibility of instituting withholding with respect to interest and dividends.

Mr. President, there have been a lot of quotations from letters, and I did not bring all the favorable letters—but I did pick up a sample of letters that have been written since the people have begun to understand what the real issue is.

That has been the point that the Senator from Kansas has been trying to make for the past several days. Until the people know what the issue is, how do they know what the answer is? Some may know in advance, but most people would like to have the issue defined.

Here is a letter from New York, from Robert A. Jacobs. He said:

I write you as a student and practitioner of the tax law, concerned with the integrity of our tax system; I am particularly concerned that the recent attack being mounted by our banking community and its grass root constituents on the withholding tax on interest and dividends will weaken our tax system.

At dinner last evening my mother-in-law informed me "that on July 1 they were going to enact a tax on old people who had savings accounts with the banks." When I assured her that there was no new tax that would be levied on her small savings, that she could apply for an exemption that would relieve her from withholding and, in all events, any monies withheld would be credited to her tax liability, she responded by saying "Oh, that's what Hilda is concerned about; she doesn't pay tax on her interest and never has been caught."

I do not know who Hilda is. But that is only one letter. Maybe Hilda will be identified later, particularly if we have withholding.

Here is another one.

I want to apologize for a letter I mailed to you the other day with an article cut out of the paper. After reading more information on it I have come to the conclusion that the small investor will not be hit nearly as hard as the high-income people. It seems like they can find some loopholes to get out of paying their share.

Another letter says:

Thanks for the explanation on withholding. Now that I understand it, please disregard my earlier letter.

Another letter:

On February 1, I wrote you protesting the enactment of the tax on withholding by Congress. However, since reading more about it and the minimal effect it will have for us, we wish to reverse our previous position and support you in upholding the act.

There are a lot of letters. Here is another:

My thanks to the President, you, and Secretary Regan for standing up to the massive lobbying campaign by the bank and savings and loan industries and in their efforts to force Congress to repeal the recently enacted law which requires them to withhold a small amount of interest and dividends earned on investments. There is no doubt about it. Now I doubt even among the most money grabbing bankers if you could find anyone who would endorse that proposal but fair is fair.

So I just suggest that we can all bring a lot of letters to the Chamber, and I would not want to bring all the other letters to the Chamber. If I did, I would not be able to see my colleagues. But I can bring all the favorable letters to the Chamber. The others we can weigh and give you the weight on a daily basis as to how many pounds are coming in.

But another letter from Wichita, Kans.:

As one who pays a considerable amount in the 10 percent withholding on dividends, I urge you to stand firm and see that this deduction is kept on the books. It is a considerable inconvenience to me to pay this withholding and I lose a good deal of interest, but if this is the way to catch tax evaders who fail to report this type of income, I support it.

And so forth.

Another letter says:

I am still applauding your remarks to the members of the American Bankers Association about the interest and dividend withholding provisions.

And so forth.

I cannot remember what I said, but someone else does.

I have a letter from Wilbur J. Cohen, former Secretary of HEW in the Johnson administration, and Arthur S. Flemming, former Secretary of HEW in the Eisenhower administration that says:

As members and officials in organizations representing senior citizens groups we wish to inform you that we wholeheartedly support your efforts to retain withholding of interest and dividends as provided by existing law. We do not think this is a burden on low income elderly persons or is an unfair requirement for higher income persons. We do not believe that the programs which serve the need of the low-income elderly should be cut back when enforcement of existing tax laws would yield \$20 billion in income over the next 5 years. We believe much of the tax on the withholding law is erroneous and unwarranted.

Then a letter from a prominent CPA firm, Seidman & Seidman:

Americans believe that they have a higher degree of tax morality than other peoples of this world which presumably was instilled in us by an higher authority. The fact of the matter is that the great FDR through the system of withholding tax on wages and salaries instilled tax compliance in us.

Absent withholding taxes on wages and salaries the underground economy would swell to unmanageable proportions.

It is sophistry to say that there is little if any underreporting of interest and dividends when government statistics prove that at least 25 billion dollars of this income is not reported for tax purposes.

And he goes to support withholding.

The Senator from Kansas would not say that if the people who have sent in bank postcards against withholding had all the facts they would all come to a different conclusion, but it is pretty hard to persuade this Senator that you can make a valid judgment or objective judgment if you have only heard one side. The only side that most Americans have heard on this is the lobbyist side, those who want to repeal withholding, those who tell you it is a new tax, those who tell you it is going to take away your savings, and believe me, if a report came over the radio that Congress passed a new tax, I assume it would get your attention.

So, Mr. President, I just believe that we should get on with this. Again we can have this debate. It is already scheduled for April 15. We can debate it in a full, free, fair debate. Everyone will be on equal terms. So we can pass the social security bill now. In addition to the urgency for the unemployment provisions there are about 36 million or 37 million social security beneficiaries who want us to pass this package. There are about 116 million people who pay into the system, many of whom want us to pass this package.

It would just seem to me, after working for a year or more on social security and having it passed in the House

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of Representatives in a timely fashion, that the Senate says, "Well, we cannot do it because we have to deal with the special interest amendment."

We have time for the special interests, and I believe the elderly are a special interest, and I believe the unemployed are special interests. I hope that today we can turn our attention to these special interest groups and try to pass the social security bill by midnight tonight.

Mr. DOMENICI. Mr. President, if the distinguished Senator from Montana had not moved to waive the Budget Act, I would have raised the point of order against the pending amendment. If I had raised the point of order the distinguished Senator could have moved to waive. So we are right back in the same posture of voting on a waiver of the Budget Act under section 311.

If the distinguished Senator from Montana had inquired, his amendment clearly violates section 311 of the Budget Act. For that reason he has moved to waive it.

This amendment violates section 311 because it reduces revenues in the fiscal year 1983, and we are already below the floor set in the budget resolution now in effect. There is no room at all under the budget resolution for a tax reduction, and that is exactly what the amendment does. It reduces revenues by \$1.1 billion in fiscal year 1983.

We are talking here about a principle, and I will discuss that in a little more detail. In addition, it is obvious to me that this amendment is merely an interim step toward repeal of the entire withholding and I think that revenue losses will be much larger. With repeal of withholding we would lose about \$20 billion in revenues over the next 5 years.

I understand that argument could be made against section 311. I know that the budget resolution that we now have on the books is out of date. I know that fiscal year revenues must be revised very soon to take into account that the economy has not performed quite as well as we thought.

But, Mr. President, as far as policy changes are concerned I do not think there is much chance that our new budget proposal for fiscal years 1983 and 1984 will make room for a tax cut. Quite to the contrary. We are almost certainly going to provide for some tax increases. The President asked for a few billion dollars. On the other end of the spectrum, of course, the House of Representatives is asking for \$30 billion. I do not think that is very practical when we are just beginning to see the full blessings of the recovery, but I will challenge anyone to say that the new policy is going to provide for significant tax reductions and, therefore, this procedure that we are talking about is not very relevant.

(Mr. PRESSLER assumed the chair.)

Mr. LONG. Mr. President, will the Senator yield for a question at this point?

Mr. DOMENICI. I would be pleased to yield.

Mr. LONG. Is it not true this very bill here right now is here because of a budget waiver recommended by the Senator's committee, and does not that waiver include a waiver of \$2,070,000,000 in spending for unemployment purposes over the Budget Act?

Mr. DOMENICI. The Senator is correct.

Mr. LONG. If we are talking about being wrong, the way the Budget Act was waived we are already wrong. We have a bill here which is already \$2 billion over the Budget Act to begin with, and the Senator recommended that waiver.

Mr. DOMENICI. That is correct. I recommended that waiver and it is obvious to this Senator that there is a tremendous distinction between waiving the Budget Act when you have unemployed people in our country who are not going to get their unemployment benefits and we have to do something to make sure that they do. That is a clear emergency.

There is nobody who can tell us that this social security bill itself is not an emergency, coupled with the unemployment compensation that we wanted to extend, but which costs money for which we waived the 1983 budget targets. Nobody can say that is not an emergency. There is no emergency on the Senator from Montana's amendment. Quite to the contrary, the U.S. Senate clearly plans to contemplate it, debate it, and vote on it. Everybody has their procedures. The Budget Committee has its procedures for April 15. It clearly seems to the Senator from New Mexico that as a matter of principle this is precisely what the Budget Act had in mind.

We can take a clear look and say "Do we want every time something like this comes along, that has plenty of time and does not belong on this bill, do we want to waive the Budget Act?"

As I indicated, I would have made a point of order. I did not make one on the basic bill. Quite to the contrary. Consulting with the leadership we provided a mechanism to say we do not want to use the Budget Act in this case because this is an emergency and that worked. Nobody challenged it. We did not shove that down anyone's throat. Anybody could have gotten up and objected to it and forced a vote, and said "We don't want to waive the Budget Act."

We have a different situation here, very different from the standpoint of policy and from the standpoint of procedure. We can vote on withholding another time; we cannot vote on unemployment compensation 2 or 3 weeks from now. It will be too late. I just note that in a small State like New Mexico we are talking about 5,000

people running out of unemployment compensation if we do not pass this bill. In other States it is many times more than that. That is what makes this situation different from the amendment that the Senator from Montana has here. Twenty-six thousand unemployed in the State of Louisiana will not get their unemployment benefits if this bill is not passed.

One might say, "Well, what about all those people who are being adversely affected by the withholding?" I think I have addressed that. There is already a procedure for taking care of that. We will all have our opportunity to look that one squarely in the face without the unemployed people of the country losing benefits without the social security compromise coming unraveled, and all of the other things that have been said here on the floor.

Mr. LONG. Mr. President, will the Senator yield for a further question?

Mr. DOMENICI. I would be pleased to.

Mr. LONG. In view of the fact we have been informed by the distinguished chairman of the Finance Committee that Treasury proposes by regulations to put the withholding off to make it year-end withholding rather than to make it withholding prior to the end of the year, can the Senator tell me how much revenue the Treasury would lose during the remainder of fiscal year 1983?

Mr. DOMENICI. I am informed that that which the Secretary of the Treasury proposes to do by regulation was already taken into consideration in the basic bill, and that the only change was in NOW accounts which came into existence afterward. This will have some effect on the total revenues, but there is nothing we can do about that in terms of the issue that is before the Senate. If the law provided for that they are free to do that and, as I understand it, the estimates took that into consideration.

Mr. LONG. Can the Senator give us his estimate what difference it makes to start withholding in 1983 rather than 1984?

Mr. DOMENICI. I submitted it for the RECORD a couple of days ago, it is about \$1.1 billion for the remainder of fiscal year 1983, I think the Senator knows the numbers with reference to the outyears. Since the Senator from Montana's amendment addresses only a year, the loss is \$1.1 billion in revenue using the same CBO estimates and Joint Tax Committee experts on both the original estimates and these.

Mr. LONG. Is this not true, Senator, that the Budget Act with regard to the issue of waiver makes no real distinction between waiver for emergency purposes or waiver because Congress for some other reasons might regard it as good Federal policy?

Mr. DOMENICI. The Senator is absolutely correct.

Mr. LONG. I thank the Senator.

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Mr. DOMENICI. I think I made that point, and certainly appreciate his clarifying it for me. I do not intend to indicate that there are levels of waiver considerations or qualities or quantities. It is just clear that this one violates section 311 of the Budget Act, and the Senator has asked for it to be waived. I suggest this is an opportunity for us to avoid the discussions, all the discussions, that have been going on and to do what we ought to do, to say it does not belong on this bill, and the budget provides us with an excellent vehicle to keep it off. Unless the Senator gets a majority of the votes here, he cannot get a waiver, and the provision will not be on this bill. I think that is something that is helpful to everyone here. If we vote against the distinguished Senator in his waiver, we are not voting on the issue. We are voting on whether to reduce the revenue base of the country when we have huge deficits. Everybody says we must in some way get rid of these deficits. I did not find anybody proposing that we get rid of this \$36 billion over the next 5 years. I did not hear anybody say "Well, I have a new tax to take its place or I have \$20 billion in medicare changes or other cuts to take its place." We are just here dealing with \$20 billion as if it does not matter on the deficit side. We just wipe it out and nobody ought to be worried about it. We have received a lot of letters. We have a way of working our will and hopefully before we are through, we will provide some way to continue the deficit reduction. But we will have done it thoughtfully, without just wiping away \$20 billion over the next 5 years from the omnibus budget bill that reduced deficits and started us on this road to recovery.

Mr. President, there is no doubt in my mind that while there may be various reasons for waiving the Budget Act. We have discussed a couple of them here today. However, the urgency of unemployment compensation, the good fortune of time that we arrived at a social security solution with the fine cooperation of the President, the Speaker and the blue-ribbon Commission, that that occurred at the end of a budget cycle and therefore we have a waiver for that bill, there is no doubt that those are the kinds of things that would be overwhelmingly supported here.

But there is no doubt in my mind that there are not going to be further tax reductions in 1983, and 1984, and 1985. We have to produce a new budget resolution. It will have some new policies. It will talk about all the main issues, everything from defense to taxes. But can anybody really stand up here and say they expect the policy is going to move in the direction of cutting more taxes in the 1983, 1984, 1985, 1986 cycle? That is basically what we are doing here today and that is why I feel confident in opposing the amendment, the motion to waive, and

why I think Senators ought to think very carefully before they do it.

You know it almost strikes me that we go through this onerous job of reconciliation on the tax side, we make some tough decisions, and we provide \$36 billion over the next few years, we reduce the medicare costs, we reduce some other expenditures in the budget and then, before the ink is dry, we come down and say "Well, as to \$20 billion of that \$36 billion, we just want to wipe it out and add \$20 billion to the deficit."

We ought not be concerned about it. Some would be saying: "We ought to grant this waiver just like nothing is at stake. Senator McCAIN is right, waive the Budget Act."

I hope I have convinced the Senators that this is an appropriate procedure that the Budget Act prescribed. It ought not be waived cavalierly and it ought not be waived here this afternoon. Quite to the contrary, we ought to get on with the business of passing this bill and, in due course, taking up the issue that is raised in part, not in toto, but in part by the amendment of the distinguished Senator from Montana.

Mr. LONG. Mr. President, I am informed that the Treasury regulations to provide for year-end withholding would cost us \$50 million in revenue in fiscal year 1983 and would cost us \$200 million in revenue in 1984.

Now, that is the revenue loss because the regulations reduce the amount that we would collect otherwise by that amount. This compares with the Melcher amendment which, in the main, involves whether you collect the money sooner, within the next few months, or whether you collect it after the end of the year when people file their tax returns.

Now, the Treasury, in my judgment just in order to try to reduce the opposition to the withholding, brought out these Treasury regulations which will cost us \$250 million in 1983-84 with no further consideration. They just thought it would be a good idea to strengthen their position in trying to put the withholding on interest and dividends into effect. So the Treasury makes that change without budgetary consideration; just does it to increase their strength here in the Congress in trying to maintain the system of withholding on interest and dividends.

They can do that without any process. I have not heard a soul here on the Senate floor protest about the loss of the \$250 million by the Treasury changing their regulations to try to pick up some votes in the Congress.

When the Senator proposes a measure that would defer taxes—and most of what is involved in the budget impact is merely deferring the collection of something from the third quarter of this year over into April of next year—we are told, "Oh, my goodness, that is going to cost us some money." The practical matter of that is most of

it is deferral of tax collection to a future point.

Mr. President, I believe we ought to look at some of these things in perspective, rather than to contend that those who agree with one are carrying on a holy crusade and those who disagree with one are bad people engaging in conduct unworthy of Americans.

For example, Mr. President, I heard so much conversation on the Senate floor to the effect that the bankers have done something unworthy of bankers in making their case against withholding. I had little choice but to repair to the Constitution of the United States to see if they had some support for their position. I find the first amendment of the Constitution relevant. That is an amendment that says that Congress shall pass no law prohibiting the exercise of free speech or free press, or the right of people to assemble peacefully.

Let me quote these next words: "And to petition the Government for a redress of grievances."

Now, there is the same amendment which so correctly protects the freedom of speech, freedom of press, and freedom of people to assemble. And there is the right of people to petition the Government for a redress of grievances. They thought enough of the right of people to protest that they actually wrote it right there in the Constitution and sent it out for the States to ratify in the Bill of Rights.

To chastise and scorn people for exercising their rights under the Constitution, Mr. President, is just contrary to American traditions, and we ought to stop that.

Furthermore, we ought to stop pretending that all the righteousness is on our side and all the evil is on the other side. Let me read a proposal out of the 1980 Republican Party platform, which, in my judgment, was sincerely placed there. I just have difficulty believing that those on the other side of the aisle are not as sincere as those on my side of the aisle. Let me read this language:

We also oppose Carter proposals to impose withholding on dividends and interest income. They would serve as a disincentive to save and invest and create needless paperwork burdens for government, business, industry, and the private citizen.

Mr. President, listen to this vitriolic language: "They would literally rob"—that is not my word, Mr. President, that is the 1980 Republican platform—"They would literally rob the saver of the benefits of interest compounding and automatic dividend reinvestment programs."

Mr. President, we have been told that an article appeared in the Washington Post exposing the improper conduct of the bankers. I had to go get me a copy of that article, because every now and then you find something in the Washington Post that is very thoughtful and well done, and

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you cannot tell whether it is good or not until you read the article.

So, Mr. President, I went and got this article that the Senator from Kansas (Mr. DOLE), the distinguished chairman of the committee, referred to yesterday.

I wish to congratulate the person who wrote the article on Sunday, March 20, Mr. Paul Taylor. It was worthy of reference by the chairman of the Finance Committee.

Let me just read what the author said on this subject:

One ad that especially annoyed Dole reads, in large boldface type: "Warning: 10 Percent of the Money You Earn in Interest is Going to Disappear," with the word "Disappear" fading to white.

That ad was held up for us to see yesterday, and I saw it.

Misleading? Perhaps. But the body of the ad makes it clear that this is a withholding scheme, not a new tax, and that therefore the 10 percent is a payment against taxes that would be owed at year's end.

The ad notes there are exemptions for the poor and elderly, although it objects to the red tape.

A more inflammatory treatment—

This is the writer to whom I complimented for writing in the Washington Post—

A more inflammatory treatment comes from a sample speech distributed by the ABA to member banks: "Literally, the Government will be picking the taxpayers' pockets."

Now, that is a strong statement, Mr. President. I doubt if I would go as strong as the American Bankers Association.

"Literally, the Government will be picking the taxpayers' pockets." The Government will be able to "loot your savings account," it says.

That compares with a passage in the 1980 Republican campaign platform, which opposed President Carter's withholding proposal: "They would literally rob the saver of the benefits of interest compounding."

Now, I leave it up to any fair-minded person, who is being the stronger in overstating his case? Would it be the bankers who said that they would pick the saver's pockets or would it be the Republican Convention which said they would rob him?

"Robbing" suggests that someone is breaking and entering feloniously at night or separating one from his wealth at the point of a pistol or a knife.

Mr. President, it is difficult to choose who was the more vitriolic in that regard. I suggest that we stop this thing of the pot calling the kettle black.

Now, Mr. President, to go further, the Senator from Louisiana had lost all interest in the matter some years ago until a majority of the Senate brought in a resolution taking the position that the Congress should under no circumstances engage in withholding on interest and dividends.

That was Senate Concurrent Resolution 92, 96th Congress, 2d session, June 12, 1980. This was reported on

July 23, the legislative day of June 12, 1980.

Mr. President, the resolution was reported by Mr. LONG as chairman of the Finance Committee. The RECORD will show Mr. LONG did not sponsor this resolution. He had nothing to do with it. It came from others. Let me just read the resolution.

Concurrent resolution declaring that the Congress does not favor the withholding of income tax on interest and dividend payments.

Resolved by the Senate (the House of Representatives concurring), That it is the sense of the Congress that the enactment of a withholding tax on interest and dividend payments would be detrimental to the economic well-being of the United States,

I confess, Mr. President, the Senator from Louisiana reported that resolution to the Senate. It was not his resolution. Whose resolution was it? The principal sponsor was Mr. CHAFEE. For himself and who? Mr. DOLE, Mr. LUGAR, Mr. GOLDWATER, Mr. DeCONCINI, Mr. HATCH, Mr. DURKIN, Mrs. KASSEBAUM, Mr. STAFFORD, and so forth, Mr. President, 60 Senators in all.

I ask unanimous consent that the co-sponsors be printed in the RECORD, Mr. President.

There being no objection, the co-sponsors were ordered to be printed in the RECORD, as follows:

LIST OF COSPONSORS

Mr. Dole, Mr. Lugar, Mr. Goldwater, Mr. DeConcini, Mr. Hatch, Mr. Durkin, Mrs. Kassebaum, Mr. Stafford, Mr. Tower, Mr. Humphrey, Mr. McClure, Mr. Cochran, Mr. Church, Mr. Helms, Mr. Pressler, Mr. Ford, Mr. Garn, Mr. Randolph, Mr. Danforth, Mr. Hayakawa, Mr. Thurmond, Mr. Pryor, Mr. Zorinsky, Mr. Hatfield, Mr. Mathias, Mr. Wallop, Mr. Young, Mr. Schmitt, Mr. Cohen, Mr. Heinz, Mr. Roth, Mr. Laxalt, Mr. Durenberger, Mr. Baker, Mr. Stevens, Mr. Warner, Mr. Armstrong, Mr. Stone, Mr. Percy, Mr. Glenn, Mr. Leahy, Mr. Morgan, Mr. Nunn, Mr. Bumpers, Mr. McGovern, Mr. Tsongas, Mr. Schweiker, Mr. Hart, Mr. Eagleton, Mr. Boren, Mr. Metzenbaum, Mr. Melcher, Mr. Stewart, Mr. Williams, Mr. Levin, Mr. Gravel, Mr. Nelson, Mr. Riegle, and Mr. Bentsen.

Mr. LONG. Mr. President, that is a majority of the U.S. Senate, ably headed by the ranking member of the Finance Committee, Mr. CHAFEE, for himself and Mr. DOLE, who was at that time the ranking member of the minority side, and who serves with great distinction as chairman of the Committee on Finance at the present time.

Mr. President, here is a statement that I read off the wire, indicating that President Reagan charges that a compromise on social security legislation is being held hostage by "selfish banking interests and urged Congress to reject efforts to bar withholding taxes on interest and dividends."

I ask unanimous consent that this item be printed in the RECORD, Mr. President.

There being no objection, the news item was ordered to be printed in the RECORD, as follows:

WITHHOLDING
(By Jim Luther)

WASHINGTON.—President Reagan charged today that compromise social security legislation is being held hostage by a "selfish" banking industry and urged Congress to reject efforts to bar withholding taxes on interest and dividends.

"The social security and unemployment insurance lifeline that extends to millions of Americans . . . cannot be permitted to be severed by the obstruction tactics of a Washington lobby and its congressional friends," the President said in a written statement issued at the White House.

Because of the fight over the withholding amendment, it appears unlikely Congress will be able to meet its deadline of completing work before Easter on the \$185 billion measure to shore up the troubled social security system. Lawmakers plan to recess all next week.

Reagan met with congressional Republicans today and blasted the banking lobby for its tactics, according to Senator ROBERT J. DOLE, R-Kan.

After the meeting, Dole told reporters, "The President, in one of the rare times I have seen him really disgusted, threw his glasses down and said he's had it up to his keister with the banking industry for their distortion and outright falsehoods on withholding on interest and dividend income."

Dole, the manager of the social security legislation and the biggest champion of withholding, said Reagan singled out the American Banking Association or its "outright false information."

In his statement, Reagan said he would have "gladly signed" the social security legislation "to relieve legitimate worries about the economic security of so many."

"Now, however, a selfish special interest group and its congressional allies are attempting to make this vital economic security bill a legislative hostage," the President said.

The amendment to repeal withholding—"based on a campaign of distortion and designed to prove that the banks and other financial institutions can still have their own way in Washington—has no place in the bill pending before the Senate," he said.

Mr. LONG. Mr. President, I find myself asking that if one is in error, why must he be so self-righteous when he changes his mind? Why should he not concede that these are matters about which honest people differ? Some people might feel strongly one way, some might feel strongly the other way, and there is a lot to be said for both sides of the argument.

I, for one, Mr. President, am not convinced—with all the mail I have received, 58,000 communications at last count, many thousands of them handwritten—I am not convinced and I cannot believe that the people of Louisiana who sent me those communications are ignorant, stupid, or incapable of knowing what they are talking about. It just seems to this Senator that people are very well informed on the subject. They have been informed by both sides. I cannot believe that they do not know what they are talking about.

Furthermore, Mr. President, when the Senator made reference yesterday to the so-called two-way mirror, this Senator cannot find any basis for getting upset about that. What it appears

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happened was that a public relations firm, seeking to determine how best to pursue their effort to convince the public, or persuade the public to their point of view, paid people \$25 each to sit down and talk about matters. They had someone looking through one of these mirrors where you can see through one way but you cannot see through the other, seeking to observe how people reacted.

Mr. President, there is no claim of right of privacy here. These are people who accepted \$25 to sit down and talk about matters of the day. Incidentally, that is good pay to talk about matters. Most people are willing to sit around a cracker barrel and talk about something for nothing, but here they are paying \$25 per head to sit down and talk to you, telling you what they think about matters. It seems to me that is a pretty nice proposition. People get my opinion all the time without paying, and I pick other people's minds from time to time without any pay. I see nothing wrong about that technique.

I should think that advertising firms might decide whether to recommend that their clients should put out purple hose rather than brown hose, or green hose rather than white hose. They might pay somebody, and I think that would be a generous thing to do, to pay somebody \$25 to sit down and give their opinion. One beautiful lady walks in with purple hose, and then a lovely lady walks in with lavender hose. Then they ask, "Which hose do you think is the more attractive? Which do you think would more attract the customer?"

Chances are, the person interviewed would probably answer the question based on the shape of what was in the hose. But, Mr. President, if they brought in two identical twins, then I think one might get an unbiased opinion as to which hose would be more attractive on a young lady and would be in a better position to suggest to his client which he would recommend.

I find nothing improper about that. Mr. President, it just seems to me to be one of prejudging his own position to say that there is some evil about someone seeking to test public reaction, by paying somebody \$25 to talk to them about matters and recording it.

I would be willing to bet if you went out there on the street right now and you asked, "How many people can we find who would be willing for \$25 an hour to talk about matters and give their judgment about matters, well understanding that somebody is going to be peeping through a mirror and recording everything they said about the subject? I would think that for \$25 an hour you would find a whole horde of people out there on Pennsylvania Avenue right now who would be willing to do something like that."

I think there is no point in someone suggesting anything improper about that matter.

I do think, Mr. President, that those of us who take a position have a responsibility to report to our constituents on what we did about it. Did we prevail? Did we have a vote? Did we win or lose? Did someone filibuster and delay? What happened?

Mr. President, the majority of the Senate indicated that we do think this provision for withholding on interest and dividends ought to be repealed. Having taken that position, Mr. President, as one of the group of more than 50 Senators, this Senator is going to continue to support the repeal effort.

Does the Senator from Montana desire that I yield to him at this point, Mr. President?

Mr. MELCHER. Yes, Mr. President.

Mr. LONG. I will yield for a question, if the Senator desires or otherwise I will yield the floor.

Mr. DOLE addressed the Chair.

The PRESIDING OFFICER. The Senator from Kansas.

Mr. DOLE. Does the Senator yield the floor?

Mr. LONG. Does the Senator desire that I yield for a question or that I yield the floor?

Mr. MELCHER. I wanted to ask a few questions, if the Senator will yield.

Mr. LONG. I believe I will just yield the floor, Mr. President.

Mr. DOLE addressed the Chair.

The PRESIDING OFFICER. The Senator from Kansas.

Mr. DOLE. Mr. President, I will be happy to yield to the Senator from Montana in a moment. I just want to compliment the senior Senator from Louisiana for upholding the banks, the ABA, and the other powerful lobbying groups. I cannot believe the Senator from Louisiana would defend the tactic of gathering 5 or 10 people together, without telling them that they are being watched through a one-way mirror, simply, because they are getting paid \$25. I guess what we need to know is, did the people know they were being watched, and do we know what they were being asked, or what they were being told?

The Senator from Kansas suggests he can almost hear the questions and statements, or misstatements, based on the ads we have seen run by the American Bankers Association.

One is that the 10-percent withholding is a new tax. If you get four people together in a room, and I do not care whether it is a one-way mirror or a two-way mirror (a two-way mirror might not help very much) if you said it was a new tax, and asked "What do you say about this?" they would say "I am against it."

And then throwing more raw meat into the cage, claiming that the law will be taking away savings, or hurting the elderly, you can stimulate people pretty well.

There is no doubt in my mind that these are experts. They demonstrate how good they are. I hope we can get the name of this marketing group because if they can sell this to the Con-

gress and the American people they can probably sell almost any candidate.

Maybe even those running for office want to look up this group. I would just suggest that if these people can market repeal of this law, which is nothing but collection mechanism, they may have a knack for selling candidates.

I do not really think that is the way the bankers in my State would deal with their grievances with the law. I do not believe there is any banker in the State of Kansas who would bring people into a room and peek at them through a mirror while somebody was feeding them some "raw meat," some inflammatory misinformation, in an effort to stimulate a proper response. I do not think that would happen—I am certain that would not happen in the State of Kansas.

I have heard a lot about the Republican platform. I did not realize the Democrats had so much interest in the Republican platform. That is the first time I have heard it mentioned in a couple of years. I am not even certain the Republicans have much interest in the Republican platform. Now we are getting all this bipartisan interest in the Republican platform. But there was a significant difference between the Carter proposal and the proposal that is on the floor today.

The Senator from Montana read with some enthusiasm a reference to the Republican platform. In the first place, the Carter plan required 15-percent withholding, not 10 percent. Second, the broad exemptions for the poor, the elderly, and the small accounts were not available. Third, the broad end-of-the-year withholding rules were generally not available under the Carter proposal. Thus, the proposal criticized by the Republican platform was very different from that of last year.

I am sorry to see the Senator from Louisiana leave. I was just going to read a statement he made on June 30, 1976. I voted with the Senator from Louisiana, he was so persuasive. The Senator from Louisiana said:

In 1962 the House passed a proposal very similar to what the Senator is proposing here. President Kennedy worked very hard to try to get us to agree to that. I was one who held out against it and would not support it at that time because it seemed to place a very heavy burden on the banks to do all the bookkeeping and handle this. I have had friends who are in the banking business tell me that with these new computers, and they say it confidentially—they are part of a fraternity and want to work together—it is really not much of an administrative problem at all. It would be very easy for the banks to comply with this withholding.

Furthermore, they have perfected the techniques to be used. Here is a situation where literally millions, perhaps 5 million and maybe even more, of taxpayers are successfully avoiding paying their taxes on interest and dividend income to the Government. As the Senator said, it is not a matter of closing a loophole, but this is just a

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matter of catching tax cheaters. When we let as many as 5 million taxpayers chisel and cheat on the Government it is bad for taxpayers' moral. People feel they can cheat on their taxes and get away with it. So I would hope the amendment would be agreed to.

We have been under pressure to pick up some revenue to pay for the tax cut in the bill. We have had some pretty bitter fights about this. At least for the time being, if the amendment were agreed to, that would make the controversy over the budget item moot because we would have enough revenue where we would not have to argue any further about that for the time being.

He went on to say how this could be administered without any problem and President Kennedy's administration was satisfied.

Mr. President, I do not cite that to disagree with the distinguished Senator from Louisiana. We can all, as he says, stand here and say someone was on this side, someone was on your side. The broader point is that in 1982 we were faced with growing deficits, we were faced with high interest rates, we were faced with a failing stock market. The President of the United States, Ronald Reagan, said, "We have to take some tough action." One of the things he suggested was a \$30 million—some say tax increase; this Senator believes it is tax reform. In that package was tax withholding of 10 percent, with a lot of exemptions to take care of elderly and other low-income people. I suggest there is a vast difference between what happened in the Carter administration and now.

It is not popular. The Senator from Kansas agrees it is not popular. I do not quarrel with those opposed to it.

I have said on this floor a half dozen times the very thing the Senator from Louisiana said. Certainly, the people have a right to petition Congress, a right to redress their grievances. I suggest they ought to do it in an appropriate way. They ought to lay out the facts and should not try to deceive the American people. They should not say it is a tax when it is not a tax. That is the quarrel we have had, plus it does bother the Senator from Kansas a little bit, I guess, because it was this Senator who, last year, made the motion to delay withholding for 6 months so the banks could work it out. I now believe that they have used that 6 months, obviously not to work it out but to do it in.

I hope the Senator from New Mexico prevails. It seems to me if we can do this, I have just talked to the chairman of the Ways and Means Committee. He is still very hopeful we can go to conference and finish the social security package this week.

Mr. MELCHER addressed the Chair.

The VICE PRESIDENT. The Senator from Montana.

Mr. MELCHER. Mr. President, very clearly, on introducing the amendment, I based my support of the amendment on considering not only the merits of reconsideration of the withholding provisions, allowing for a timeframe for both the Senate and

the House to do that, but I also based it well knowing there would be revenue loss for this fiscal year. That, of course, requires a budget waiver.

We had a budget waiver on the bill. It was adopted unanimously without debate. Although the bill carries with it far more revenue loss than is involved in the revenue loss from my amendment, it was nevertheless routinely accepted by the entire Senate. No debate, a simple statement of the resolution, and unanimous adoption.

To belabor the budget waiver on this amendment is a technicality which those opposed to the amendment will attempt to use to evade voting on the merits of the issue involved in the amendment. A vote on a budget waiver does not change the issue at all on what is involved in the amendment. Being for the amendment implies agreement with the waiver.

There is no way to stretch the imagination or to stretch the record or to alter the record but what a vote against the budget waiver is a vote against the amendment itself. Since it was planned to make a point of order against the amendment for lack of a budget waiver, I offer this motion not to delay consideration of the amendment or the underlying bill but to move on, to make progress, and to do exactly what the Senator from Kansas, the chairman of the Committee on Finance, has indicated we should do, attempt to pass the bill today.

Instead of promptly adopting the waiver by unanimous consent or voice vote, we have had more of the same filibuster, more of the same argument, hoping that, somehow, the individual Senators will either be confused or be tired of the whole argument and just vote against the budget waiver. My intention is to move as expeditiously as the managers of the bill will allow and get on with the vote, not only on this amendment but to subsequent amendments that will be offered to the bill, and get on with passage.

Reference was made to what the Treasury Department announced on March 2, where, in Treasury News, a press statement quoting the Treasury Department says:

The Department of the Treasury today announced revisions to the regulations regarding withholding on dividends and interest and on the broadened information reporting rules, to take into account concerns raised by Members of Congress and affected financial institutions.

The announcement states that Treasury will defer the effective date for withholding with respect to original issue discount instruments until January 1, 1984.

I had earlier introduced a sense of the Senate resolution which would put the Senate on record as advising Treasury to delay the withholding procedures until at least October 1. On March 2, the Treasury Department issued this statement and said they needed more time in order to implement withholding on certain instruments—which, by the way, include

Treasury notes and bonds they themselves sell. They need more time to institute the tax withholding procedure on Treasury notes and bonds.

Let me ask this: Is this not the very area or rather the two areas—the original issue discount instruments including (a) Treasury bills, (b) other discount instruments where Treasury Department officials state that there is tax loss? Those are the two areas. These are the two areas the Treasury Department and the Joint Committee on Taxation agree have been the two prime areas where there has been a problem collecting the taxes due on interest.

That is where the Treasury has said that, in particular, they want to zero in, because they believe the proper amount of income taxes have not been paid on interest that holders of these bills or other instruments have. Holders of these investments have evaded paying their just taxes in many instances, Treasury officials have asserted.

What is going on here? This is the area in which they said they feel there is a large amount of cheating. They want to close the loophole, close the gap, collect the money. On Treasury's own volition they are going to delay starting withholding until January 1; hence, my amendment is offered to coincide with that. That is the area in which they want to zero in. They feel a lot of money is escaping, a lot of interest payments are escaping reporting, and therefore the taxes are not being paid on them.

By their own admission and by their own volition, under their own regulations, they are delaying the implementation of withholding procedures called for in the tax law of 1982, the very subject we are talking about.

Was there any budget waiver on that? Has anybody taken into consideration the revenue loss involved in that delay? Of course not. There is no budget waiver on that. None is necessary, because it is not before us. Yet, it is a revenue loss.

To be honest about it, in the debate on this particular point, those who are opposed to our amendment should concede what that revenue loss is.

I might point out that the Treasury says they are flexible on the bank float. In other words, they are flexible on how many days the banks or the savings and loans or the credit unions may hold the taxes amounting to 10 percent collected from each customer—how long they can retain that money before turning it over to the Treasury. The Treasury Department officials say they are flexible on that.

The chairman of the Finance Committee has stated that bankers complained about that, so the Treasury very promptly said the institutions can have another 30 days. Or is 45 days adequate? Is there a budget waiver on the revenue loss there? Or is the float time going to be extended even more?

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Would we even consider the revenue loss there? Of course we should, if we are going to be completely honest and fair and complete about what we are talking about in raising revenue.

I point out that what is being done does cost Treasury money. The 90,000 employees IRS has on the payroll, paid for out of Treasury funds, have work to do in connection with this particular withholding provision in the law.

There were requests for a delay in the areas I have mentioned. The Treasury Department has established the delay. They have established it under their own regulations. They have done so because they cannot get ready before then. In order to get ready for the rest of it, affecting ordinary taxpayers what they are doing is sending out with every tax refund the Form 662-A which I described yesterday. It describes to the individual taxpayer what they are going to start doing in connection with withholding on interest and dividends beginning July 1, if there is no change in the law.

I am advised that 50 million of these are being tucked in the envelopes with the refund checks. We are told by the Senator from Kansas, the chairman of the Finance Committee, that everybody who receives a social security check on April 1 will also have one of these forms inserted into the envelope along with the check. That is another 36 million. Yes, they are busy preparing these forms in order to be able to explain the collection of the taxes withheld. That costs money. There is no budget waiver on those. They have been busy preparing this brochure I have here. It is on a pretty good grade of paper. They probably cost about 6 or 7 cents apiece. The questions and answers in this Treasury Department brochure deal with withholding on interest and dividends. I will read only the last question and the answer.

The question: "Why couldn't the Government simply strengthen the information reporting system in order to accomplish the withholding?"

The answer: "Much nonreporting is due to inadvertence, forgetfulness and failure to keep records. Any attempt to reach this unreported income through information reporting and audit procedures would require millions of telephone calls, letters, and visits, many involving small amounts of tax, which inevitably would have been regarded as "harassment" of taxpayers."

Treasury Department March 2 press release describes the area in which they are going to wait for January 1, which they have identified as an area where they really want to zero in, where they feel there are large amounts of tax due from taxpayers who are evading payment. For Treasury notes and other discount instruments—there is going to be a delay until January 1 to start withholding taxes. But for ordinary taxpayers with savings accounts.

I want to return to that answer in the brochure. The last phrase says that "telephone calls, letters, and visits" would have been regarded as harassment of taxpayers." The word "harassment" is in quotation marks.

So, rather than harassing those individuals who they feel constitute the big area in which many tax dollars are escaping, they will delay that to January 1, and they are going to send out these forms to the rest of the taxpayers and start collecting on July 1.

I think that is the answer as to why we are getting the letters we are receiving from constituents complaining. They see through the IRS method of collection of additional taxes.

People feel it is harassment. People feel it is unnecessary. People feel it is just some more redtape. People feel it is just another step by the IRS, and they do not really believe that the cost of doing it really nets out much revenue gain.

I agree. I think in the revenue estimate by Treasury the revenue gain is overestimated. But I use their figures in stating my case. Those figures are—\$1.1 billion.

My motion is for a budget waiver on the amendment and hopefully it will be a favorable vote so we can get on to the real issue of voting on the amendment itself, pass it hopefully, and then get on with the rest of the amendments to the social security bill and final passage.

The VICE PRESIDENT. The majority leader is recognized.

Mr. BAKER. Mr. President, I will not take very long because I agree it is time for this issue to come to a head. But before we vote, I wish to make an effort to establish an historical perspective on where we are now, and how we got here.

I can recall more than a year ago, a year ago last August, in fact when I had the opportunity to meet with President Reagan and my colleague and cohort on the other side of the Capitol, the minority leader, Congressman Micael, and a few others. When we were talking about social security at that time it was about minimum benefits. That encounter was one of what has now grown to be a list of several cases in which I was required, according to the dictates of my conscience, to tell the President that I did not think he should do what he had proposed to do in respect to social security and minimum benefits because, as I pointed out then, I thought and I think now that social security is such a politically explosive, and such a devastatingly important political issue that unless we can drain some of the heat and energy out of that issue, Congress will be immobilized and find it impossible, or virtually so, to do the necessary reform to the system as a whole.

At that time I felt that there was the imminent danger that social security would become the No. 1 political

football of this century. Perhaps it should. I do not know many issues that affect as many people as social security does, so many people are dependent and have no other recourse to a livelihood and subsistence except for social security. It is a devastatingly important issue. I thought last year and I think now, Mr. President, that on occasion the political system of the United States recognizes in its own unique and perhaps unusual way that some issues are so important that they must not be politicized, that we simply have to rise above the usual and necessary partisan political conflict and address the issue at hand on a bipartisan basis. It is not often that we act in such a manner, but when we do, I think they are the best moments of our political system.

It was in the wake of my conversation with the President and his advisers and in the wake of subsequent developments that the President sought the establishment of a bipartisan commission to consider the social security question. It was an attempt to depoliticize it, an attempt to form a commission modeled after the Water Quality Commission which was chaired by then G. Nelson Rockefeller, that commission produced a series of recommendations which were largely enacted into law and were the result of a bipartisan effort that was widely celebrated and cheered.

The President proposed that he would appoint part of the Social Security Commission, that the Speaker of the House of Representatives would appoint part and I would appoint part. Indeed this was done in collaboration with my friend and colleague, the minority leader of the Senate, and the Speaker invited the minority leader of the House Representatives to participate as well. So the bipartisan Commission on Social Security was constituted, the latest embodiment of an effort to rise above partisan political advantage to address an issue of compelling importance.

And how well I recall reports of that Commission's deliberations about how pessimistic the Members were that any agreement could be reached and how their hopes were buoyed up and then dashed on the rocks of disappointment. But finally, Mr. President, the Social Security Commission produced a result and by near unanimous vote recommended fundamental and important and vital changes in the social security system on a bipartisan basis, and those recommendations were reported to the House of Representatives and to the Senate.

I recall at that time, Mr. President, that many politically seasoned observers remarked at that time, "Well, this is a good recommendation but it will never hold together, the package will fly apart because partisanship will once again emerge and destroy the best efforts of this Commission." But those remarks proved to be false, Mr.

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President; indeed, the package was enacted by the House of Representatives with no fundamental changes, and that is a tribute to the ability of Republicans and Democrats in the House of Representatives to rise above partisan political advantage and to address a basic need of the Nation.

So now the bill reaches the Senate, and now the challenge rests with us. Are those who predicted that the package will fly apart because of partisan consideration or personal political advantage correct? Or is the Senate going to continue the tradition that was begun by the President, extended by the Speaker of the House of Representatives and by the bipartisan Commission on Social Security, and confirmed by the House of Representatives and laid before the Senate for the final challenge? Are we going to fail to carry out that effort to depoliticize this most important fundamental political issue? That is precisely what we are confronted with at this moment.

The perspective I would propose to suggest to the Senate is this: Against that background, let me suggest that the motion to waive the provisions of the Budget Act made by the distinguished Senator from Montana in layman's terms is the following: Senator MELCHER is saying in so many words, "I ask the permission of the Senate to add an extraneous measure to this bill, this social security package, which was not recommended by the Commission, which makes a fundamental change and probably will blow this package apart. And that I recognize that it is not in order because the Budget Act prohibits it unless the Senate will grant its consent."

That is the perspective. Will the Senate grant its consent for an amendment to be offered to this package that the House of Representatives would not accept, that the Commission did not accept, and which will threaten and endanger the fundamental aspects of a bipartisan effort to cure important defects in the Social Security System?

That is what we are being asked to do, to give consent of the Senate to do what the House of Representatives declined to do, what the Commission declined to do, and what the country does not want done.

Mr. President, I am not here to argue the merits of withholding of interest and dividends. Nor do I think that should be the issue before the Senate because the Senate has decided in its wisdom to schedule a debate on that issue on April 15 this year. I did not take any offense when questions were raised about whether that would actually occur or not, and I agreed, indeed, as I recall, I suggested the possibility of calling up the chosen vehicle and making it the pending business before the Senate so that an interest and dividend withholding amendment could be offered at that time and then to lay aside that measure to resume

automatically as the pending business on April 15.

Some asked: Does that mean we cannot offer it to social security? And I said, of course, it does not mean that. But I devoutly wish for a different result. I said then and I say now I hope that will not be done, and I hope the Senate will not now give its consent for that to be done, for the vote we are about to cast is not in favor of or against interest and dividend withholding; the vote we are about to cast is whether the Senate will give its consent to add this extraneous matter to the social security package. That is the question, Mr. President.

The VICE PRESIDENT. The Senator from New York is recognized.

Mr. MOYNIHAN. Mr. President, I move to table the motion to waive the Budget Act—

Mr. MELCHER. Mr. President, will the Senator withhold a minute?

Mr. MOYNIHAN. I withhold without losing my right to the motion I have just made.

Mr. MELCHER. I thank the Senator for doing that. I merely want to emphasize to the Senate that a great number of the amendments that have been accepted, already accepted, do have a budget impact, and points of order were not lodged because it was agreed by the Senate to vote on the issue itself, the issue contained in the amendment.

The same point of order or the same requirement, the same procedure of insisting on a motion for a budget waiver on a particular amendment was not made. And in this case, I just emphasize that what we are voting on is the issue itself. A vote against the budget waiver is a vote against the amendment to delay starting up the withholding of taxes on savings and dividends until January 1.

Mr. MOYNIHAN. Mr. President, I move to table the motion to waive the provisions of the Budget Act.

Mr. BAKER. Mr. President, I ask for the yeas and nays.

The VICE PRESIDENT. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

The VICE PRESIDENT. The question is on agreeing to the motion of the Senator from New York to lay on the table the motion to waive the provisions of the Budget Act. The yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. STEVENS. I announce that the Senator from Wyoming (Mr. SIMPSON) is necessarily absent.

Mr. BYRD. I announce that the Senator from California (Mr. CRAWFORD) and the Senator from Maryland (Mr. SARBALES) are necessarily absent.

The VICE PRESIDENT. Are there any other Senators in the Chamber desiring to vote?

The result was announced—yeas 54, nays 43, as follows:

(Rollcall Vote No. 33 Leg. I)

YEAS—54

Abdner	Gorton	Moynihan
Andrews	Gramley	Markwardt
Baker	Hart	Packwood
Bentsen	Hatch	Pell
Bingaman	Hatfield	Pressler
Boschwitz	Hawkins	Roth
Chafee	Hecht	Rudman
Chiles	Heinz	Specter
Cochran	Jackson	Stafford
Cohen	Kassebaum	Stennis
D'Amato	Kennedy	Stevens
Danforth	Leutenberg	Thurmond
Dodd	Laxalt	Tower
Dole	Leahy	Tribble
Domenici	Lugar	Wallop
Durenberger	Mathias	Wanner
Garn	McCleve	Weicker
Goldwater	Mitzenbaum	Wilson

NAYS—43

Armstrong	Graen	Mitchell
Banous	Hoflin	Nickles
Biden	Holmes	Nunn
Boren	Hollings	Percy
Breddy	Huddleston	Proxmire
Bumpers	Humphrey	Pryor
Burdick	Inslee	Quayle
Byrd	Jepsen	Randolph
DeConcini	Johnston	Riegle
Denton	Kasten	Sasser
Dinan	Levin	Simpson
Eagleton	Long	Tsongas
East	Matsunaga	Zorinsky
Ewon	Martindale	
Ford	McInerney	
	McNerney	

NOT VOTING—3

Cranston	Sarbanes	Simpson
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So the motion to lay on the table the motion of the Senator from Montana to waive the provisions of the Budget Act was agreed to.

Mr. BAKER. Mr. President, I move to reconsider the vote by which the motion was agreed to.

Mr. DOLE. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. DOMENICI addressed the Chair.

The VICE PRESIDENT. The Senator from New Mexico.

Mr. DOMENICI. A parliamentary inquiry, Mr. President.

The VICE PRESIDENT. The Senator will state it.

Mr. DOMENICI. A parliamentary inquiry, Mr. President. Does this amendment violate section 311 of the Budget Act?

The VICE PRESIDENT. It does.

Mr. DOMENICI. Mr. President, I raise the point of order against the amendment under section 311 of the Budget Act.

Mr. MELCHER addressed the Chair.

The VICE PRESIDENT. The Senator from Montana.

Mr. MELCHER. Mr. President, I wish to debate the point of order.

The VICE PRESIDENT. The point of order is not debatable except at the sufferance of the Chair.

Mr. DOMENICI. Has the Chair ruled on the point of order?

The VICE PRESIDENT. The Chair has not ruled. The Senator may be heard.

The Senator from Montana.

Mr. MELCHER. I thank the Chair. The vote which just occurred, while a procedural vote, is, nevertheless, a

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vote on the substantive issue. As such, it was a denial on the procedural vote of getting to the final vote on the amendment. The motion for the budget waiver was made by me and was made with full knowledge that a point of order would be raised on the amendment as conflicting with or violating the Budget Act, and I did not receive the waiver. Those waivers are generally granted by unanimous consent and indeed, sometimes not even unanimous consent is asked on a budget waiver. A vote is just taken on the amendment and the amendment is voted up or down. That is the will of the Senate as a result and the budget waiver requirement is ignored.

There are perhaps six—I am advised several—probably six amendments already accepted to this bill that impact the budget and would be subject to a point of order, requiring a waiver of the budget rules.

The usual procedure of the Senate is to vote on the issue and as far as I am concerned, the vote that has just occurred prevents a vote on the issue, making the vote on a procedural motion which is ordinarily granted without debate and sometimes, as we find even with this bill before us now, a waiver from the budget is not even asked for, but amendments have been accepted and are part of the bill now.

Mr. President, I thank the Chair very much for recognizing me. I wish to inform my colleagues in the Senate that I have no intention whatsoever, and I doubt whether anybody else would have any intention, of further taking up the time of the Senate by, for instance, appealing the ruling of the Chair, which the Chair is about to make. I do so with the firm belief that, having taken a vote, procedural or otherwise, which is on the merits of the amendment itself, there is no need to prolong the debate. The vote has been cast, the decision has been made, and the Senate will work its will as it should.

The VICE PRESIDENT. The Chair rules that the point of order is well taken. The amendment falls.

The Senator from Kansas.

Mr. DOLE. Mr. President, first, I wish to thank the Senator from Montana. I indicated for the Record earlier that the Senator from Montana has been conducting debate on this issue—

Mr. STENNIS. Mr. President, may we have quiet here? I would like to hear what the Senator has to say and I think others may, too.

The VICE PRESIDENT. The Senate will be in order.

Mr. DOLE. The Senator from Kansas wishes to note for the Record that I complimented the Senator from Montana privately. I also wish to do so publicly because he has carried on this debate in a very high-level manner. I am willing now to move very quickly to finish the social security package. I think we can do that. I would appreci-

ate the cooperation of all Senators with amendments.

It is my hope to stay in session as long as we wish tonight or until early morning. I have had a conversation with the chairman of the Committee on Ways and Means. He would still like to go to conference, if possible, tomorrow afternoon or early Thursday and pass this and have it on the President's desk sometime between now and the weekend, or early next week.

I think the pending amendment was the amendment of the distinguished Senator from Pennsylvania. Is that correct?

I would like to make a parliamentary inquiry.

The VICE PRESIDENT. The Senator will state it.

Mr. DOLE. Is there an amendment pending?

The VICE PRESIDENT. Only the substitute amendment is pending.

AMENDMENT NO. 518

(Purpose: To remove the Social Security Trust Funds from the unified budget)

Mr. HEINZ addressed the Chair.

The VICE PRESIDENT. The Senator from Pennsylvania.

Mr. HEINZ. Mr. President, I call up my amendment No. 518 and ask for its immediate consideration.

The VICE PRESIDENT. The amendment will be stated.

The bill clerk read as follows:

The Senator from Pennsylvania (Mr. HEINZ) proposes an amendment numbered 518.

Mr. HEINZ. I ask unanimous consent that further reading be dispensed with.

The VICE PRESIDENT. Without objection, it is so ordered.

The amendment is as follows:

At the end of title I, insert the following:

REMOVAL OF SOCIAL SECURITY TRUST FUNDS FROM THE UNIFIED BUDGET

Sec. . Part A of title XI of the Social Security Act is amended by adding at the end thereof the following new section:

REMOVAL OF SOCIAL SECURITY TRUST FUNDS FROM THE UNIFIED BUDGET

"Sec. 1136. (a)(1) For the fiscal years beginning after September 30, 1984, and ending before October 1, 1988, the President shall, in accordance with the second sentence of section 1104(c) of title XI, United States Code, establish a separate functional category for requests for new budget authority and estimates of outlays for the Federal Old-Age and Survivors Insurance Trust Fund, the Federal Disability Insurance Trust Fund, the Federal Hospital Insurance Trust Fund, and the Federal Supplemental Medical Insurance Trust Fund, and a separate category for estimates of revenues for such Trust Funds and estimates of revenues from taxes imposed under sections 1401, 3101, and 3111 of the Internal Revenue Code of 1984. The categories established by the President pursuant to the preceding sentence shall be used in the preparation and submission of the budget under section 1105(a) of title XI, United States Code, for each such fiscal year. The budget submitted under such section for each such fiscal year shall not classify requests for new budget authority and estimates of outlays and revenues for such Trust Funds and

estimates of revenues from taxes imposed under sections 1401, 3101, and 3111 of the Internal Revenue Code of 1984 under any functional category other than the categories established by the President pursuant to this paragraph.

"(2) Notwithstanding any other provision of law, any concurrent resolution on the budget considered under title III of the Congressional Budget Act of 1974 for a fiscal year beginning after September 30, 1984, and ending before October 1, 1988, shall use the categories established by the President under paragraph (1) in specifying the appropriate levels of new budget authority and budget outlays for the Federal Old-Age and Survivors Insurance Trust Fund, the Federal Disability Insurance Trust Fund, the Federal Hospital Insurance Trust Fund, and the Federal Supplemental Medical Insurance Trust Fund and in specifying the recommended level of revenues for such Trust Funds and revenues from taxes imposed under sections 1401, 3101, and 3111 of the Internal Revenue Code of 1984. A concurrent resolution on the budget considered under title III of the Congressional Budget Act of 1974 for any such fiscal year shall not classify the appropriate levels of new budget authority and budget outlays for such Trust Funds or the recommended level of revenues for such Trust Funds and revenues from taxes imposed under sections 1401, 3101, and 3111 of the Internal Revenue Code of 1984 under any functional category other than the categories established by the President pursuant to paragraph (1).

"(b)(1) Notwithstanding any other provision of law, at the time the President submits the budget under section 1105(a) of title XI, United States Code, for any fiscal year beginning after September 30, 1984, and at the time the President submits the supplemental summary and changes in budget authority, outlays, and receipts under section 1106 of such title for any such fiscal year, the President shall transmit to the Congress a separate statement specifying requests for new budget authority and estimates of outlays for the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund for such fiscal year and estimates of revenues for such Trust Funds and revenues from taxes imposed under sections 1401(a), 3101(a), and 3111(a) of the Internal Revenue Code of 1984 for such fiscal year. The budget for any such fiscal year submitted under section 1105(a) of title XI, United States Code, and any supplemental summary or changes in budget authority, outlays, and receipts submitted under section 1106 of such title for any such fiscal year, shall not contain any requests for new budget authority or any estimates of outlays or revenues for any such Trust Fund for such fiscal year or any estimates of revenues from taxes imposed under sections 1401(a), 3101(a), and 3111(a) of the Internal Revenue Code of 1984 for such fiscal year.

"(2) Notwithstanding any other provision of law, any concurrent resolution on the budget considered under title III of the Congressional Budget Act of 1974 for any fiscal year beginning after September 30, 1984, shall not include in the provisions specifying—

"(A) the appropriate level of total new budget authority and total outlays required under section 301(a)(1) of such Act for such fiscal year;

"(B) the estimates of total new budget authority and total outlays for each major functional category required under section 301(a)(2) of such Act for such fiscal year; or

"(C) the recommended level of Federal revenues required under section 301(a)(4) of such Act for such fiscal year, any amounts attributable to budget authority and outlays for the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund for such fiscal year or any amounts attributable to revenues for any such Trust Fund or revenues from taxes imposed under sections 1401(a), 3101(a), and 3111(a) of the Internal Revenue Code of 1954 for such fiscal year.

"(3) Any concurrent resolution on the budget considered under title III of the Congressional Budget Act of 1974 for any fiscal year beginning after September 30, 1988, or any amendment thereto or any conference report thereon, shall not contain any specifications or directions described in the second sentence of section 310(a) of such Act which relate to the Federal Old-Age and Survivors Insurance Trust Fund, the Federal Disability Insurance Trust Fund, or revenues from taxes imposed under sections 1401(a), 3101(a), and 3111(a) of the Internal Revenue Code of 1954.

"(c) The budget outlays of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund for any fiscal year beginning after September 30, 1988, shall be exempt from any general limitation imposed by statute on budget outlays of the United States, including any limitation on net lending.

"(d)(1) For the fiscal year beginning on October 1, 1988, and the succeeding fiscal years, the President shall, in accordance with the second sentence of section 1104(c) of title 31, United States Code, establish a separate functional category for requests for new budget authority and estimates of outlays for the Federal Hospital Insurance Trust Fund and the Federal Supplementary Medical Insurance Trust Fund and a separate category for revenues for such Trust Funds and revenues from taxes imposed under sections 1401(b), 3101(b), and 3111(b) of the Internal Revenue Code of 1954. The categories established by the President pursuant to the preceding sentence shall be used in the preparation and submission of the budget under section 1105(a) of title 31, United States Code, for each such fiscal year. The budget submitted under such section for each such fiscal year shall not classify requests for new budget authority and estimates of outlays and revenues for such Trust Funds and estimates of revenues from taxes imposed under sections 1401(b), 3101(b), and 3111(b) of the Internal Revenue Code of 1954 under any functional category other than the categories established by the President pursuant to this paragraph.

"(2) Notwithstanding any other provision of law, any concurrent resolution on the budget considered under title III of the Congressional Budget Act of 1974 for a fiscal year beginning after September 30, 1988, shall use the categories established by the President under paragraph (1) in specifying the appropriate levels of new budget authority and budget outlays for the Federal Hospital Insurance Trust Fund and the Federal Supplementary Medical Insurance Trust Fund and the recommended level of revenues for such Trust Funds and for revenues from taxes imposed under sections 1401(b), 3101(b), and 3111(b) of the Internal Revenue Code of 1954. A concurrent resolution on the budget considered under title III of the Congressional Budget Act of 1974 for any such fiscal year shall not classify the appropriate levels of new budget authority and budget outlays for such Trust Funds or the recommended level of revenues for such

Trust Funds and revenues from taxes imposed under sections 1401(b), 3101(b), and 3111(b) of the Internal Revenue Code of 1954 under any functional category other than the categories established by the President pursuant to paragraph (1).

"(e) The provisions of subsections (a)(2), (b)(2), (b)(3), and (d)(2) are enacted by the Congress—

"(1) as an exercise of the rulemaking power of the House of Representatives and the Senate, respectively, and as such they shall be considered as part of the rules of each House, respectively, or of that House to which they specifically apply, and such rules shall supersede other rules only to the extent that they are inconsistent therewith; and

"(2) with full recognition of the constitutional right of either House to change such rules (so far as relating to such House) at any time, in the same manner, and to the same extent as in the case of any other rule of such House.

"(f) For purposes of this section—

"(1) the term 'budget outlays' has the same meaning as in section 3(1) of the Congressional Budget and Impoundment Control Act of 1974;

"(2) the term 'budget authority' has the same meaning as in section 3(2) of such Act; and

"(3) the term 'concurrent resolution on the budget' has the same meaning as in section 3(4) of such Act."

Mr. HEINZ. Mr. President, this amendment was put into the Record by me on Friday. This is the amendment that would remove social security trust funds from the unified budget. On Friday, I spoke at some length on the merits of this amendment. We did not take the amendment up at that time out of fairness to Senator DOMENICI and Senator CHILES who had engagements out of town and have very strong views on the amendment. We wanted to be sure we could fully debate this amendment. I shall not repeat for the Senate all the remarks I made on Friday. I shall simply summarize the arguments I made.

Before I do that, however, I am advised that Senator PERCY and Senator RIEGLE wish to be cosponsors of this amendment. I ask unanimous consent that they be so included.

The PRESIDING OFFICER (Mr. GOLDWATER). Without objection, it is so ordered.

Mr. HEINZ. Mr. President, first, I want to make clear to my colleagues that this amendment would remove the operations of the OASI and DI trust funds from the President's budget, from the concurrent resolution, and from the reconciliation process, effective with fiscal year 1989. In that respect, it tracks the House amendment that is in the House bill, H.R. 1900. Some have suggested that we should separate OASI and DI from the unified budget but leave it in the reconciliation process. Leaving OASI and DI in the reconciliation process might remove it from the budget on paper but it would leave social security in the budget process in fact.

Legislating social security changes as part of the budget reconciliation process is, in my opinion, very unsatisfactory regardless of which piece of paper

you use to account for its operations. With social security subject to reconciliation, it seems to me we would still be forced to debate social security changes in the context of the annual effort to reduce budget deficits. And we would be forced to do that this year, next year, and the year after because, as we look at those horrendous budget deficits, they show no signs of disappearing on any horizon that this Senator is able to see.

Furthermore and most importantly, Mr. President, I believe the greatest source of public confusion and public cynicism about social security financing comes from the fact that we have been talking about the financing problem and our tremendous budget deficits in the same breath. How is anyone out there supposed to know that we are not balancing social security on the backs of the elderly, as some say, or not raiding the trust funds to finance the defense budget as some have accused us of trying to do, if we are making all of these judgments at the same time each year as part of the budget process?

I want to be very clear about this, Mr. President: the amendment I am offering would remove social security OASI and DI from reconciliation and require Congress to address the budget and social security as separate issues.

Why do I think we ought to treat social security separately? For one thing, it used to be separate. It was only in 1968 that we combined it with the rest of the Federal budget. It has always been a very distinct kind of Federal program. That is why I think it should be separate now.

What kind of a program is it? Unlike any other kind of program, it is a social insurance program. It is not welfare, it is not even like the medicare program, where the benefits of the medicare program bear no relationship to the amount of contribution. This is a program that is financed by its own worker tax contribution quite apart from the income tax we use to finance most other Federal program. It is judged over a far longer period of time than most other Federal programs in the Federal budget process. The Congress reviews fiscal policy with a 1-year, or a 3-year, or, maybe, on the rarest of occasions, a 5-year horizon. Most changes made in spending or taxes through the budget process take effect within a year or two—usually a year or less—with very little warning to those affected.

On the other hand, the social security program has a horizon that is much longer. This bill looks forward 75 years. We cannot and we do not, in this solvency bill, cut benefits in the program quickly, because those now retired make a lifetime of payments in the expectation of receiving benefits, benefits that we do not want to change quickly, because that would force them to change their retirement plans significantly.

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By the same token, those working today in expectation of receiving benefits in 20 or 30 years need adequate, fair warning to adjust their retirement plans. That is why when we change the retirement age, we do it in the next century, some 30 years from now, before it becomes fully effective.

So in this social insurance program, they review this financial status with the help of actuaries not over a 3-year or a 5-year or even a 20-year horizon but over a 75-year period.

To consider social security only in terms of its financial condition in the next year or so forces Congress to make changes on short notice to achieve immediate budget savings and destroys the notion we have tried so hard to create, that social security is a retirement program that younger workers today can count on tomorrow.

Until social security financing is spared from the annual search for some kind of quick fix in the budget, younger workers are going to be hesitant to plan on social security, to plan on having its benefits, and they will remain cynical about not just the program but also the Congress that proposes to defend it.

Mr. President, there is another danger included in the OASDI cash benefits program, the annual budget process, and that is that the immense size of this program makes it an irresistible target for budget cuts, whether or not those cuts are needed to finance the program.

With \$200 billion a year in budget deficits facing us for as far as we can see, absent a good deal of action, and social security accounting for \$1 out of every \$6 we expect to spend in that budget, sooner or later somebody is going to come along in the search for budget cuts and latch onto social security. Even though we do not think that is going to happen today or next year, mark my words, that is what will happen.

Social security is a tempting target, because, with 35 million beneficiaries and 150 million contributing workers, a very small change in the program can result in substantial revenues or substantial savings in outlays in a very short period.

I have seen on this floor some very small changes made in the last 3 days that, frankly, will result in tens of billions of dollars difference in the next several years on what is in—or, in this case, not in—the social security system. Some of my colleagues did not even know what was happening at the time, I suspect.

Only when social security is out of the unified budget and the annual budget process, can we assure ourselves and the public that changes made in the program are to improve the financing of the program and to insure its solvency and that they are not there to eliminate our budget deficits.

Mr. President, some of our colleagues are concerned that social secu-

rity spending will rise uncontrollably in the future, and they feel that only keeping social security in the budget will force Congress to exercise fiscal discipline in this program. In my opinion, social security is an amazingly stable program in the long run. That is contrary to the conventional wisdom, but the statistics belie the conventional wisdom. OASDI outlays are expected to fluctuate, roughly, between 4 percent and 6 percent of GNP over the next 75 years; but 75 years from now, they are expected to be about where they are today—about 5 percent of the gross national product.

It seems to me that having its own dedicated payroll tax clearly identified as such on payroll stubs is the best source of fiscal discipline for this program. I cannot imagine, for the life of me, how mixing this financing with financing of every other program helps Congress control the cost of this program. It seems to me that the more we mix it in, the more difficult it is to control anything. The more apparent the separate financial condition of the program is, the more exacting Congress will be in assuring that it is financed adequately.

If you look back at the last 2 years, 1981 and 1982, I think you will agree with my case. In 1981 and 1982, the Budget Committee came along and said we need \$40 billion or \$20 billion or \$10 billion to make the social security system solvent.

No. 1, not only did we not believe that was enough to make the system solvent—those of us who have a little knowledge of the system—but also, the American public did not believe that those changes had anything to do with social security, just were needed to make the President's budget look a little better.

If we look at the financing for the OASDI program over the next 75 years, I think it is apparent that even though the program is expected to be financed adequately as a result of the measure before us, it will present serious problems of a magnitude we cannot fully realize now to the budget process.

I have a chart behind me, Mr. President. The chart I have here has been prepared on the basis of the bill reported by the House Ways and Means Committee. Unfortunately, that bill, which is far different from the one the House passed and sent us, included a hefty tax increase that we do not have in our bill. We chose to restrict the growth of benefits instead. Nonetheless, the charts show us quite clearly that over the next 30 years the social security system is going to develop some very, very large surpluses, and that sometime after the year 2020, social security will start spending those surpluses as a result of experiencing a number of years of very significant annual deficits.

As I think my colleagues can see on the second chart, OASDI trust fund

reserves will begin to grow quite steeply starting in 1990, very steeply indeed, until about the year 2015 or 2020, when they will reach a peak of nearly \$3 trillion. In 1983 dollars, not 2020 dollars, \$3 trillion in reserves.

What does that mean? What it means is that we are going to be under more temptations than Adam and Eve ever dreamed of to spend those reserves on things on which they should not be spent.

By the time we wake up to that problem and wake up and find that we have created a whole new set of spending programs, about that time we are going to start finding out that we are running huge deficits in the social security programs as we now know we are going to do and as we have provided for, and we will not have the money to pay our social security benefits that we are promising people today.

Mr. President, unless we separate social security from the budget it is absolutely inconceivable to me that we are going to be able to finance social security in any kind of a rational way in the long run, even though spending in this program is expected to be relatively stable in relation to the economy.

Left in the unified budget there does not seem to be anything we are going to be able to do except spend social security surpluses on other programs in the surplus years and cut social security in the deficit years.

Mr. President, that clearly is bad and irresponsible budget policy, and it is irresponsible and destructive social security policy.

So I ask you, Mr. President, what assurance can we provide young workers that retirement benefits are going to be there if we know right now we are going to slash benefits beginning in every year starting in the year 2020? Without some assurance that this program will be treated like the social insurance program that it is, how can we expect young workers who are paying into social security today, nearly 100 million of them, to trust that the benefits that they pay in taxes are going to be there when they retire 30 years from now?

The answer is unless we separate social security as I provided, I do not think we can. The only answer is for this Congress to take strong action to restore public confidence in the social security program before the broad-based public support for this program begins to unravel.

The bill before us, as amended by the Finance Committee, H.R. 1900, is a very good bill in that respect, not that everyone likes everything in it, but it does do the job that we have been saying should be done, namely, to either raise the revenues or slow the growth of benefits so there will be a social security system for young people and their children when they eventually retire.

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But if we just leave it at that, if we do not take the second step, if we do not insure that the surpluses we produce from passage of this legislation will be protected we will be back here on this Senate floor—it may be 20 years from now—and we will be saying to ourselves, "I thought those fellows back in 1983 solved the mess, but look at the mess we are in now."

Mr. President, we do not have to be in that kind of mess 20 or 30 years from now. Announcing our intention by the adoption of this amendment today, to treat this program responsibly with an eye to the long-term commitment that underlies it, is the way to address that concern.

So I ask my colleagues to join me in assuring that social security will be treated responsibly by separating it from the unified budget and the annual budget process.

Mr. STENNIS. Mr. President, will the Senator yield briefly to me?

Mr. HEINZ. I am pleased to yield to the Senator from Mississippi.

Mr. STENNIS. Let me commend as well the Senator for a fine explanation here of this highly important amendment. It shows thoroughness, completeness, and represents a lot of work on his part. He has rendered a real service here in preparing and delivering that speech.

I did not get to hear the first part, but I understand this is an unconditional and complete separation from what I call the general budget and sets all of these funds for this particular purpose up in the budget of its own.

Mr. HEINZ. The Senator is correct.

Mr. STENNIS. I do not think the Senator could have chosen a more important subject with reference to the entire matter that we have this year.

Mr. President, I ask unanimous consent that I may be joined as a cosponsor, one of the sponsors of this amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. STENNIS. Again I thank the Senator.

Mr. HEINZ. I thank the Senator from Mississippi for his very kind remarks. I am honored to have him as a cosponsor.

Mr. STENNIS. I thank the Senator.

Did the Senator say it is going to reach a point in the year 2020 or 2030, somewhere in there, of \$3 trillion? What were his figures?

Mr. HEINZ. The Senator is correct. According to the analysis of the Ways and Means Committee bill there will be a surplus that will under their bill approach some \$2½ trillion to \$3 trillion. We are used to dealing with billion around here. But I say again this is trillion dollars, which is nearly inconceivable, but that amount will take more than twice our current national debt that we all say we are never going to be able to pay off.

Mr. President, if the Senator will permit me, this is the way we can eliminate a very substantial amount of

that national debt because social security will be able to absorb it and in that respect such investments will be in the social security system and most welcome rather than in the general funds of the Treasury.

Mr. STENNIS. I was here when it was separated. Very few knew when it happened.

Mr. HEINZ. Not everyone can make that statement.

I thank my good friend from Mississippi.

Mr. RIEGLE. Mr. President, if the Senator has completed, I wish to make a statement.

The PRESIDING OFFICER. The Senator from Michigan is recognized.

Mr. RIEGLE. I thank the Chair.

Mr. President, I am pleased to join with my colleague from Pennsylvania, Senator HEINZ, in offering this amendment which would remove social security from the unified Federal budget.

I think it is important to know that Senator HEINZ served in a distinguished way on the Social Security Commission and the Social Security Commission has made this recommendation.

The amendment that he and I and the other cosponsors are offering today is an amendment that had the endorsement of the Social Security Commission, which included other distinguished Senators, including that of the Senator from Kansas, Senator Dole, and Senator MOYNIHAN.

So we have in behalf of this concept the full endorsement of the National Commission on Social Security, and this particular item was also included in the House-passed bill. So this is not a new issue.

This is an issue that has been looked at at length. It has been debated at length and, as I say, is a recommendation of the President's Commission on Social Security.

The amendment we are offering today would first require that in fiscal year 1984 the three social security trust funds, the old age and survivors, disability, and hospital insurance trust funds, all of which are funded through a separate payroll tax, be included in a separate functional category in the Federal budget. Also included in this separate budget function would be the Federal supplementary medical insurance trust fund which is mostly funded from general revenues. In the fiscal year beginning in 1989, the old age and survivors and disability trust funds, which are payroll financed would be removed entirely from the unified budget, while the hospital insurance and Federal supplementary medical insurance trust fund would be retained in its separate functional category.

As a member of the Budget Committee, I am particularly concerned that any changes that are made in the social security system are considered for reasons relating to social security and not become tied up in the endless debate on other Federal budgetary

considerations. As recently as last year the administration endorsed budget included \$40 billion in unspecified cuts in social security. The cuts which were recommended at that time had the appearance of helping to reduce the Federal deficit but offered no assurance that social security benefits were not being cut beyond what was necessary to preserve the social security system by itself as a free standing entity.

One need only review the events of the last 2 years to see the justification for this concern. In May 1981, the Reagan administration unveiled a package of massive and unprecedented cuts in social security, whose magnitude went far beyond anything reasonably needed to protect the safety of the social security trust funds. The administration's proposal would have built up substantial reserves in the social security trust funds which would be applied toward helping the administration meet its other objectives in the Federal budget. That same year we saw the reconciliation bill—an arm of the budget process—used as the vehicle for elimination of the minimum social security benefit and making other reductions in the program. Also, last year during consideration of the budget resolution, further attempts were made to enact unspecified cuts of \$40 billion out of the social security system. These cuts would have produced budget "room" for other Federal spending categories without any assurances that social security benefits would not be cut beyond what is absolutely necessary to preserve the system's financial integrity.

So I think it is clear what ought to be done here is what the Social Security Commission named by the President has recommended, namely we separate these funds out of the budget, and that we handle them on their own basis.

We are taking the other steps to insure their integrity in terms of new outside public participants on the board and by the financial steps that we are taking to put the system on a sound financial footing from an actuarial point of view. The particular recommendation of the Commission we are now considering is fully in keeping with that set of moves, and I think the best and surest way for us to eliminate the temptation to go in and, as the Senator from Pennsylvania says, try to latch on to those social security reserves in future years as those reserves build up. What we are doing here is to take and move them over into a separate category where we cannot get at them in the budgetary framework and where the financial integrity of social security and the revenue-benefit relationships will be maintained solely in their own right and protected in that fashion.

Mr. President, in addition to concerns what social security should not be part of the political forces which

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are part of the budget process, we must remove the temptation to use social security trust funds to disguise the extent of the deficit in the rest of the budget. Fluctuations in trust fund balances are cushioned by trust fund reserves, but as long as social security remains a part of the unified budget they also appear to effect the Federal deficit or surplus, which provides misleading information of the annual budget deficit.

Over the past few years, social security has been running an annual deficit and thereby paying benefits out of the reserves in the trust funds. This made it appear that the Federal Government had to engage in new borrowing, when in fact the total deficit created by the shortfall in social security revenues was met by using surpluses from previous years. In addition, in the next few years, after we enact the legislation we are now considering, the social security trust funds should be running a rather large surplus. Under the compromise package it is estimated that by fiscal year 1988 the trust funds will have a surplus of over \$14 billion. If social security is included in the deficit totals for that year, it will appear that the Federal Government will have to borrow less to meet the Government-wide shortfall, when in fact, the surplus in the social security trust funds must be kept in reserve for future social security beneficiaries.

Mr. President, finally I would like to make it clear that I do not believe that placing the social security trust funds in a separate functional category, removing it from the unified budget, and removing it from the reconciliation process will solve either the financing problems of the social security system nor problems with the Federal deficit. It was not intended to do that. What it will do is clarify the choices which must be made on both of these vital issues and insure that those decisions are made fairly.

As I say, and I do not think it can be said enough, we had Senators from our body here serving on the Social Security Commission. That Commission was dominated 2 to 1, 10 members to 5, by appointees of the President himself, and that Commission made this recommendation.

I say to the Senator from Mississippi and others, the Commission itself made this recommendation. The chairman of the Senate Finance Committee was on that group and was party to this recommendation. The House has adopted it in their bill, and it ought to be in here because it provides, I think, every person in this country with certain knowledge that the social security funds are going to be treated in their own right, there will be no tampering and people want that. That is one thing that has come out of this debate as these concerns have arisen out in this country, people who are paying into the social security system day in and day out want that money set aside and they want it kept inviolate and

they do not want it left in any fashion where moves can be made to change the social security arrangements in order to try to meet certain other spending priorities within the Federal budget.

There is a need for a clear division here. These are trust funds, and "trust" implies a special fiduciary arrangement, and by separating this out in this fashion we will be in a much better position to protect this money, to see the integrity of the system exists over a longer period of time and, I think, restore the confidence of the American people.

Mr. DOMENICI addressed the Chair.

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. DOMENICI. Mr. President, I do not want to take a lot of time but I understand the distinguished Senator from Florida desires to speak on this subject and he will be here shortly. I will take a few minutes though.

I would like to remind the Senate that the blue ribbon panel on social security reform was established to provide the Congress with a set of recommendations to close the funding gap in social security. The Social Security Reform Commission was not established to review Federal budgetary practices. There was such a panel about 15 years ago, the President's Commission on Budget Concepts, and that Commission reviewed the way the Government handled its budgetary duties and found a lot of things wrong.

The Budget Concept Commission decided that the different and competing budgets confused the public and Congress and impeded governmental decisionmaking. It recommended that a single unified budget should be adopted to improve the utility of the budget. This unified budget would include all of the trust funds, including social security.

Mr. President, I bring up that bit of history to illustrate a point. The Commission established to reform social security arrived at a conclusion totally different and at odds with the Commission established to address reform in budgeting. If we were to appoint a similar budget commission today to study budget questions, what might they conclude? Such a commission, consistent with the blue ribbon commission, would probably include the chairman of the House Budget Committee, the chairman of the Senate Budget Committee, and maybe even the Director of the Office of Management and Budget.

What would they say about removing social security from the unified budget? Mr. President, we do not have to speculate about what they might say. Instead we can refer to a letter that I and the other two principals sent to the Social Security Reform Commission. The letter states:

We strongly recommend that the social security program remain in the unified Federal budget.

The letter explains the reasons behind the recommendation, and I ask unanimous consent that the letter be made a part of the Record after my remarks so that the Senators may review the text.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 1.)

Mr. DOMENICI. Another member of a commission to review budgetary practices would certainly be the Director of the Congressional Budget Office. Again we do not have to speculate as to what the Director of the Budget Office might say. We have a recent letter and I ask unanimous consent it be made a part of the Record.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 2.)

Mr. DOMENICI. Dr. Rivlin states at one point in her letter:

[F]rom the perspective of good budgeting practice, the proposal to remove amounts that represent about one-quarter of all Federal spending is inadvisable . . . It is comprehensiveness, and integrity of the unified budget be maintained.

Finally, a commission might include representatives of the groups affected by the change. What would the largest group of retirees, the American Association of Retired Persons say? Again we do not have to speculate. We need only refer to their written statement:

On behalf of our more than 13 million members, we urge, in the strongest possible terms, that you not be stampeded into supporting any legislation that would remove social security from the "unified budget."

I ask unanimous consent that letter be made a part of the Record also.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 3.)

Mr. DOMENICI. I do not mean at all to denigrate the action of the Social Security Reform Commission on the budget issue. But this Commission was not established to review budgetary treatment of social security. If it had been established for that purpose it would have been composed of somewhat different members. What these letters show without doubt is that a commission charged with reviewing the role of social security in the budget would have arrived at a decision to leave social security in the unified budget. That was true 15 years ago; it is true today.

Mr. President, the argument that social security will in the future, God willing, and we hope, have some significant reserves and therefore it ought to be taken off budget because of those reserves just does not make any sense.

One would conclude that because it is going to have reserves in a trust fund that we are going to spend trust fund money. What is next? We have a highway trust fund. It has been on the unified budget. We do not spend everything that is in that trust fund every year. It is accounted for. If you

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want to go look at the account, you can find it.

The next logical thing is: Why do we not take the highway trust fund off budget? What is the next logical thing?

Mr. CHILES. Aviation.

Mr. DOMENICI. The aviation trust fund. Then you can look at the other pensions, including the military and the civilian pensions. Why do we not take them off, and in particular the civilian pension trust fund? That is said to be an annuity and the monies are supposed to be there; even if they are not, some think they are. We can take it off. Then we can start funding it out of general funds, and we will not even have on the budget what we are funding with general funds.

So, Mr. President, the argument that we are going to have excesses, surpluses in that fund that comes from tax dollars, that spends money into the American economy, that has reserves that have to be invested, that probably all by itself has more economic impact in terms of looking at what happens to the American economy—how much are we taxing for it? How much are we spending as a proportion of the GNP? We are going to say let us take that one that has the most impact—and there is nobody that thinks any other fund has more impact—and we are going to set it over on the side and say it is not part of the American budget.

We cannot really believe that is what will happen if we take it off budget. We are going to be bringing it back on budget every time we look at the effect of Government, taxes, spending, trust funds on the economy of the United States. Why not put it where it belongs? Put it in the unified budget.

The fact that you have reserves does not mean that you can spend trust fund moneys for those items that are in a national budget that are not part of the expenditure of trust fund moneys. They will be accounted for as they have been in the past.

I compliment my friend from Pennsylvania. He has worked very hard on this. He has a genuine concern. I just do not believe that the concern that he expresses that we might at some time be tempted, as he has described here—is sufficient reason to take this important segment of the economy and take it off budget.

Mr. President, it is obvious to my that this amendment violates the Budget Act and, at the appropriate time, I will make a point of order, but I will not do it at this point.

Mr. President, I want to restate some of the reasons I oppose the effort to remove the social security trust funds from the unified Federal budget. Such a move would be bad economic and budgetary policy. It would not contribute one dollar to closing the enormous funding gap in the social security program.

I think it is time to examine some of the arguments made in favor of removing social security from the budget. The first argument is that Congress has made changes in the social security program solely to achieve short-term budgetary policy.

This argument is not valid. Recent proposals to change social security have not been made simply to reduce the unified budget deficit. Changes were suggested because trust fund reserves declined to critically low levels. Changes were suggested because they were—and still are—needed to insure that all benefit checks go out come July of this year, and every month thereafter.

A second argument is that social security has somehow suffered by being included in the unified Federal budget. This argument is also invalid. During recent years, the inclusion of social security and medicare within the Federal budget has actually caused deficits to be larger than they otherwise would have been. Since 1969, when social security was first included in the budget, the Federal deficit has been less only four times. In 10 years, social security made the Federal deficit deeper.

The next argument I want to challenge is that social security should be removed from the budget to protect its viability as an intergenerational retirement plan. It is true that social security has a long horizon—we look at it in 75-year chunks. However, Congress would need to take all other retirement programs off budget to be consistent. We would need to remove Federal civilian and military retirement, and many smaller programs.

Congress has already given an indication of how it feels about the validity of this argument. Last year, the President proposed to removed the railroad retirement program from the unified Federal budget. Neither the House nor the Senate even considered that proposal. I do not think it would be logical to remove one program and not other similarly situated programs.

Another argument frequently made is that social security should be removed from the budget because it is a trust fund program. Again, all trust funds would need to be removed from the budget to be consistent. That would mean lumping social security and Federal employee retirement into the same category as, for example, the highway trust fund. Removing all trust funds would mean about 35 percent less budget coverage of spending and taxation.

If Congress allows social security to be excluded from the budget on the grounds that it is special, what program will be next? Will we exclude national defense because it is too important to handle on a year-to-year basis? That has already been proposed, and it will be much more difficult to deny if we set a precedent with social security.

Another argument sometimes made for removing social security from the budget is that public understanding of the budget and social security would improve. This is simply not the case. It would, instead, make it appear that Congress wants to hide Federal budget realities from the American people. The media and the public would justifiably accuse Congress of sweeping its problems under the rug.

There exists a great misperception that removing social security from the budget will somehow help resolve the financial problems of the system. Let me lay that myth to rest. Removing social security from the budget does not contribute \$1 to social security solvency.

In fact, it may increase the future financial problems of the system by making it more difficult to arrange temporary or permanent infusions of general revenues. This may be a particular problem for medicare, given its bleak financial future.

I want to commend my colleague from Pennsylvania, the chairman of the Committee on Aging, for alerting us about the problems of dealing with the large surpluses expected to build up in the retirement trust funds in the years beyond 1989. It is critical to allow those reserves to accumulate so that we have funds to pay for all benefits when the baby boom generation retires.

We must not be tempted to use these reserves to pay for deficits in defense or welfare or any other Government programs. We must, instead, insure that the reserves are not used to cover the massive deficits we face in the medicare program. We must also insure that these future surpluses do not tempt future Congresses to increase social security benefits for short-term political gains.

These are indeed serious problems, and I am sure my colleague from Pennsylvania will help us find a way to insure that the large reserves do not lead us into temptation.

Mr. President, I recognize that the effort to remove social security from the budget is intended only to help the social security program. Unfortunately, the arguments in favor of removing it are weak.

Social security programs, like all other programs, must be reviewed constantly to assure that they are fulfilling the basic objective of providing a timely and adequate income for our Nation's retirees, survivors, and disabled. Removing social security from the budget process would only make such review much more difficult.

EXHIBIT 1

U.S. SENATE,
COMMITTEE ON THE BUDGET,
Washington D.C., December 2, 1982.
Dr. ALAN GREENSPAN,
Chairman, National Commission on Social
Security Reform, Washington, D.C.
DEAR ALAN: As stewards of the federal budget process, we strongly recommend that the social security program remain in

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the unified federal budget. It would be deceptive and unproductive to remove social security from the budget, as many members of the National Commission on Social Security Reform are suggesting. This option would not contribute one dollar to closing the \$150 billion to \$200 billion short-term deficit the commission identified in the retirement trust fund. It would merely obscure the problem.

Commission memorandum number 53 explained some of the pros and cons of including social security in the unified federal budget. We would like to add to this memo a few more reasons for keeping social security in the budget.

Social security trust funds involve so much money—over one quarter of all federal outlays—that to omit them from the budget would misrepresent the government's activities and their economic impact.

Inclusion of trust funds in the unified budget allows for a more honest and straightforward budget presentation. The American people are thus able to see clearly how the government spends revenues.

Social security funds may not be used to pay for other government programs or to balance the budget. These funds have always been used to pay benefits and administrative costs for social security only, and will continue to be used only for those purposes. Keeping social security in the budget does not threaten its separate status.

Social security programs, like all other programs, must be reviewed constantly to assure that they are fulfilling the basic objective of providing a timely and adequate income for our nation's retirees, dependents, and disabled; removal of the program from the budget would make such review more difficult.

The public will perceive any changes in the present social security accounting method as manipulation and an attempt to hide the mandate of the social security financing problem.

The National Commission was established to solve the social security problem, not substantially alter the federal budget process.

We are sympathetic to the desires of the members of the commission to ensure that social security is not used to improve or mask the overall budget picture. There is a simple and honest way to do this. Social security could be displayed within the present unified federal budget as a separate budget function, apart from other income security programs. This would clarify the trust fund nature of the program while retaining its impact within the federal budget. We would be willing to work for such a change in categorization if the commission believes it would increase public understanding of the relationship between social security and the rest of the budget.

We commend the members of the commission for the hard work and bipartisan spirit that they put into this difficult task. We believe that a great deal of this progress will be eroded if the commission recommends a change in how we present social security in the budget but fails to recommend a set of concrete ways to ensure the solvency of the system. As the American public is well aware, taking social security out of the budget does nothing to solve the social security financing problem.

Sincerely,

PETE V. DOMENICI,
Chairman,
Senate Budget Committee.

JAMES R. JONES,
Chairman,
House Budget Committee.

DAVID A. STOCKMAN,
Director,
Office of Management and Budget.

EXHIBIT 2

CONGRESSIONAL BUDGET OFFICE,
Washington, D.C., March 14, 1983.
Hon. PETE V. DOMENICI,
Chairman, Committee on the Budget, U.S.
Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to your request for my comments on the advisability of removing the Social Security accounts from the budget. From the perspective of good budgeting practice, the proposal to remove accounts that represent about one-quarter of all federal spending is certainly inadvisable. In 1980, when Social Security and other trust funds were combined with other programs into the unified budget on the basis of recommendations by the President's Commission on Budget Concepts, the principal reasons were the need for a comprehensive budget and for a single measure of budgetary balance to ensure sound fiscal practice. Those needs are no less urgent today.

Exclusion of Social Security would confuse public understanding of the government's fiscal impact. The unified budget is constructed to show clearly the flow of cash to and from the federal government. Decisions made on spending programs or on taxation can be easily translated into increases or decreases in the deficit and in the government's need to borrow. This important bottom-line data will be needed no matter how Social Security is posted on the books. Current budgetary practice highlights the borrowing needs of the government in a straightforward and clear manner. By contrast, removing Social Security outlays and receipts from the budget will be confusing. To arrive at the government's borrowing needs in any fiscal year, budget documents would have to display a "regular budget deficit or surplus" plus a "Social Security deficit or surplus" to arrive at a "total deficit or surplus." To some extent, this confusion already exists because of current off-budget entities, but putting one-quarter of federal activity in the latter category would worsen the situation appreciably. Discussions of "the size of the federal sector" would be similarly confused, since many are familiar with the fact that the federal government's budget is 20 to 25 percent of gross national product (GNP) and seven of those percentage points would disappear with removal of Social Security.

The budget should be as inclusive of federal activities as possible. In order for the Congress to make informed decisions on how to allocate public monies, it is essential that the basic document underlying those decisions include all federal programs, so that comparisons can be made and tradeoffs can be explicit. This argues for a comprehensive budget, indeed one that would incorporate currently off-budget items and a more satisfactory treatment of federal credit and tax expenditures, not one that excludes a major portion of federal activity.

Social Security is, of course, different from most other programs. Because it is the heart of the social insurance system and because it embodies a long-term contract between the people and the government, Social Security benefits should not be treated as an annual discretionary spending option. But inclusion in the unified budget in no way connotes such a disposition. In the long-term, moreover, inclusion of Social Security in the unified budget does force the Congress to ask the right question: How much can the nation's economy afford for social insurance given competing claims on the economy and given the willingness of

taxpayers to pay? Making Social Security a separate entity would unnecessarily narrow this question into "How high a level of benefits can payroll taxes support?"—a question that ignores competing claims, alternative tax sources, and the burden of other taxes.

Exclusion of Social Security from the budget would establish a bad precedent. Within recent months, I have read proposals to remove from the budget a number of accounts based on many of the same arguments now advanced for removing Social Security. For example, some have advocated moving off budget all trust funds (on the principle that their revenues, like Social Security's, are dedicated), all federal retirement programs (because they should not be an annual political football), and national defense (because it is too important to be hostage to cyclical problems). Social Security's removal might lend support to such proposals. In the end, we could have a proliferation of federal sub-budgets, completely eroding the usefulness of the budget as an economic and allocative instrument. Moreover, federal trust funds as a whole are projected to be in substantial surplus over the next five years and, if these surplus accounts are removed from the budget, the budget that remains will show larger deficits than are currently projected.

The courageous and hard-fought compromise on Social Security involves real changes in the Social Security system and merits greater public confidence in the system's future. It would be unfortunate if the measure to remove Social Security from the unified budget undermined confidence in that compromise.

As the Congress struggles with serious problems in both the social insurance programs and in the overall budget, it is critically important that the clarity, comprehensiveness, and integrity of the unified budget be maintained.

Sincerely,

ALEX M. RIVLIN
Director.

EXHIBIT 3

NATIONAL RETIRED TEACHERS ASSOCIATION, AMERICAN ASSOCIATION OF RETIRED PERSONS,
Washington, D.C. May 13, 1982.

DEAR SENATOR: On behalf of our more than 13 million members, we urge, in the strongest possible terms, that you not be stampeded into supporting any legislation that would remove social security from the "unified budget". Such a move would set the stage for precipitous and drastic short-term benefit cuts or large increases in payroll taxes.

The social security system faces very serious short and long-term financial problems which must be addressed and soon. The removal of the social security programs from the unified budget would limit the options available for dealing with those problems.

Given the magnitude of the payroll tax increase legislated in 1977 and the adverse economic impacts which further legislated payroll tax increases would have in the short term, this option is bad public policy and unacceptable.

Short-term reductions in benefits for persons who are already on the rolls (i.e., reductions in cost-of-living adjustments or reductions in underlying benefits) or for persons who are about to come on the rolls (i.e., new beneficiaries) are equally bad and unacceptable. Such reductions would amount to a "changing-of-the-rules-of-the-game" on people after the game is over and would cer-

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tainly drive up the incidence of poverty among the elderly very substantially.

By leaving social security's programs where they are—within the unified budget—a far greater number of options are available to provide the system with whatever may be needed to maintain the system's contingency reserve funds at levels sufficient to assure the payment of benefits at levels presently promised.

We know that some have argued that social security should be removed from the unified budget as a means of insulating the system from benefit cuts. The problem with this reasoning, however, is that the system does face serious financial problems. (It is not unreasonable to conclude that social security will need, as the Senate Budget Committee indicated in its Resolution, some \$40 billion over the next three years to assure the system's continued ability to pay benefits on time.) We are sure that those who espouse this particular line of reasoning and who are opposed to short-term benefit cuts would not opt for billions more in payroll taxes. But with the system outside the unified budget, there are no other options (other than an annual appropriation subsidy—something unlikely to happen). It would be illogical and inconsistent to argue that the social security system should be removed from the unified budget to prevent reductions in benefits but be included in the budget for the addition of billions in non-payroll tax revenue (i.e., general revenue).

Others, who support removal of the social security programs from the unified budget, argue that the debate over social security has become much too politicized and that removal of the programs from the budget will facilitate the development of a bipartisan consensus solution. Unfortunately, the historical fact is that social security can not be immunized from the political aspects of the legislative process no matter where the social security programs are located for financial and accounting purposes.

The Associations are clearly on record as supporting an automatic infusion of non-payroll tax revenue into the programs, if needed to maintain the solvency of the system. We adamantly oppose short-term benefit reductions (including reductions in cost-of-living adjustments) and further increases in payroll taxes. We believe that leaving the system within the context of the budget as a whole will provide the National Commission on Social Security Reform, in the first instance, and the Congress and the Administration, in the second instance, the greatest range of options for dealing with the system's serious financial problems.

Finally, since social security is such a large program which levies taxes and makes expenditures of close to \$200 billion per

year, it can not be ignored if policymakers are to make informed and rational decisions on fiscal and general economic policy matters. We hope the Senate will quickly put aside any consideration of this matter and get on with the task of developing a budget for the nation that is fair and makes sound economic sense.

Sincerely,

CYRIL F. BRICKFIELD,
Executive Director.

Mr. HEINZ. Will the Senator yield?
Mr. DOMENICI. For a question?

Mr. HEINZ. Yes, for a question.

Mr. STENNIS. Mr. President, I would like to ask for the floor at this point for 4 minutes.

The PRESIDING OFFICER. Does the Senator yield the floor?

Mr. DOMENICI. I have the floor and the Senator from Pennsylvania wanted to ask me a question and I yield for that purpose.

Mr. HEINZ. I thank the Senator from New Mexico for yielding.

Mr. President, I wanted to know if he could clarify a point that he made in his presentation. The point that he made that I refer to is that he says that we will be taking social security off budget. Does the Senator suggest that the receipts and the expenditures of this trust fund will be in some way hidden the way offbudget programs are hidden? Is that what the Senator is suggesting?

Mr. DOMENICI. Well, I did not use the word "hidden." Some offbudget items might be hidden to some people: some of the loan programs of our country that are not on budget, people might perceive that they are hidden. But if you want to dig them up, you can dig them up, so there is no conspiracy to hide them. That really was not my point.

My point was that social security is such an important part of Government, and if you have a budget that is supposed to reveal facts about Government, the percent of taxes versus GNP and all of those relationships, then you would not really have a very good picture of what is going on. You would have to pull social security back on for purposes of observation at least—so why go through that kind of an episode?

Mr. HEINZ. Will the Senator yield for a further question?

Mr. DOMENICI. I am pleased to yield.

Mr. HEINZ. Prior to the consolidation of the trust funds in the administrative budget, there was a solution to this problem which the budget in 1968 and in previous years had. Is the Senator suggesting that, prior to 1969, when the budget was displayed, that it was not possible to get a clear idea of the overall macroeconomic impact on the budget? Is that what the Senator is saying?

Mr. DOMENICI. Well, I say to the Senator, as I indicated in my opening remarks, the blue ribbon Commission on Social Security, as I view it, was made up of people appointed by the President because of their position in Congress and in society to know a lot about social security. That is why they were appointed. There was one other commission 15 years ago that had to look at budgeting. And I can rely on them. They operated in the timeframe the Senator is asking me about. They concluded that we had too many budgets and, therefore, social security and all other operations should be on one budget.

My own experience tells me that, but that is the only answer I have to the Senator's question. A commission 15 years ago thought that it should be on a budget.

Mr. HEINZ. If the Senator will yield further: Is he aware that prior to fiscal 1969, the problem of identifying the overall effect of Federal financial receipts, disbursements, and other operations was solved by publishing a consolidated summary of the administrative budget and trust fund budget?

I have here, page 41 of a document entitled, "The Budget of the United States Government for Fiscal Year 1968." I ask unanimous consent that page 41, which sets forth the way in which this was achieved and, as I envisage, might be achieved in the future, be printed in the RECORD.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

TABLE 1.—BUDGET RÉSUMÉ: ADMINISTRATIVE BUDGET AND TRUST FUND RECEIPTS AND EXPENDITURES

(In billions of dollars)

Description	Administrative budget funds			Trust funds		
	1966 actual	1967 estimate	1968 estimate	1966 actual	1967 estimate	1968 estimate
Receipts:						
Individual income taxes	55.4	62.2	73.2			
Corporation income taxes	30.1	34.4	33.9			
Employment taxes						
Excise taxes	9.1	9.3	8.8	20.0	26.4	28.4
Unemployment tax deposits by States				3.9	4.5	4.8
Other receipts	10.7	11.9	11.7	2.1	3.0	3.0
Interest and dividends	-.6	-.8	-.7	8.5	11.7	12.5
Total receipts	104.7	117.0	126.9	34.9	44.9	48.1
Expenditures:						
National defense	57.7	70.2	75.5	.8	1.1	1.4
International affairs and finance	4.2	4.6	4.8	.2	.1	.2
Space research and technology	5.9	5.6	5.3	(1)	(1)	(1)
Agriculture and agricultural resources	3.3	3.0	3.2	1.2	1.4	1.2
Natural resources	3.1	3.2	3.5	.1	.1	.1

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TABLE 1.—BUDGET RESUME: ADMINISTRATIVE BUDGET AND TRUST FUND RECEIPTS AND EXPENDITURES—Continued

(\$ in millions of dollars)

Description	Administrative budget funds			Trust funds		
	1966 actual	1967 estimate	1968 estimate	1966 actual	1967 estimate	1968 estimate
Commerce and transportation	3.0	3.5	3.1	3.5	3.7	3.7
Housing and community development	3	3	1.9	3.2	3.0	1.0
Health, labor, and welfare	7.6	10.6	11.3	10.4	11.5	12.1
Education	2.3	3.3	2.5	1.7	1.7	1.6
Veterans benefits and services	5.0	6.4	6.1	7	7	6
Interest	12.1	11.5	10.2	11.5	11.5	11.5
General government	2.5	2.7	2.8	1.5	1.5	1.5
Postage (net)						
Allowances (net)				1.8		
Other and military pay increases				1.8		
Postage started in fiscal 1968				4		
Overtime				4		
Interest transactions	—.5	—.5	—.7	—.8	—.7	—.7
Total expenditures	107.8	126.7	126.8	104.9	109.9	114.5
Excess of receipts (+) or expenditures (—)	—23	—9.7	—8.1	(1)	+4.0	+3.6

CONSOLIDATED SUMMARY

Descriptio	1966 actual	1967 estimate	1968 estimate
Cash receipts:			
Administrative budget receipts	104.7	117.0	126.9
Trust fund receipts	34.3	35.9	43.1
Intergovernmental and other current transactions	—53	—7.2	—7.8
Total receipts from the public	134.3	154.7	158.1
Cash expenditures:			
Administrative budget expenditures	107.8	126.7	126.8
Trust expenditures	34.3	40.9	44.5
Intergovernmental and other current transactions	—40	—6.8	—7.1
Total payments to the public	122.2	108.9	122.4
Excess of receipts from (+) or payments to (—) the public	—12	—6.2	—4.3

Less than \$10,000,000.

Note.—For estimates of administrative budget and trust funds, see page 170. For details on receipts, see table 13 on pages 64 to 66. For details on expenditures, see table 14 on pages 125 to 128. For further detail, by agency and account, see pages 124 to 134.

Mr. HEINZ. Mr. President, I would further repeat my question to my good friend from New Mexico, whether or not he would agree that the consolidated summary that appears there would, in fact, quite fairly represent the combined fiscal operations to the Federal Government.

Mr. DOMENICI. I can look at this sheet of paper that he is talking about, the budget of the U.S. Government for 1968, and it looks like it does what it ought to do.

But I am reminded that this Commission reviewing budget concepts completed their work in October of 1967. It was ratified in 1968. This material is from 1968.

Mr. HEINZ. Yes; the Senator is correct. That represented the way we budgeted prior to the implementation on the National Commission on Budget Concepts.

Mr. DOMENICI. I would only read the bold black print, from the report of the President's Commission on Budget Concepts. The Commission's major recommendations during this timeframe to which the Senator alludes as being an adequate way to show the budget states in part:

The Commission's most important recommendation is that a unified summary budget statement be used to replace the present three or more competing concepts that are both confusing to the public and Congress and deficient in certain essential characteristics.

So rather than go back to 1968 and in 2 minutes look at this, I would conclude that the Commission's major recommendation found great fault with this as a part of our budgeting practice.

Mr. HEINZ. I thank the Senator for yielding and for answering those questions. I appreciate them very much.

Mr. DOMENICI. I thank the distinguished Senator from Pennsylvania. I yield the floor.

Mr. STEPHENS. Mr. President, I shall not detain the Senate very long now.

I am very much interested in the practical side of the point involved here, Mr. President, because I was here and have a distinct recollection of part of what happened here when the budget was all merged or put together.

This is beyond my special work and I do not have any special knowledge of the subject.

I remember we were working with the Appropriations Committee and the Armed Services Committee somewhere in there, and all of a sudden a big question came up about the merging of the budget. I do not think anyone knew at the time, or many of us did not know at the time, just what had happened. It was in dispute. But at the same time—and I have forgotten what the amount was—a very small black budget showed up, I think less than \$1 billion—and I am sure it was—and that was the last black budget we had, by the way. It was part

of the workings to change the arrangement of the budget.

I think there would have been a big upheaval about it then, but people were not conscious about the security, the carelessness, and so forth, of the budget money, and how much it meant to them.

Things rocked along and no one objected to having a balanced budget. Things rocked along in that way. Speaking for myself, it was not commonsense as I saw it to be putting all these great volumes of money into the regular live, regular budget when the due date for it was way down the line.

I am glad to see this brought up and straightened out. I am not critical at all of the Senator from New Mexico. He knows of the high regard as well as appreciation that I have for the work he does. But one of the big things that will come out of this bill, if we are able to pass a bill, will be a correction of this situation. When it has \$2 trillion or \$3 trillion in it, somebody else will have to do the same job of making corrections, changes, and everything else. I do not believe our successors will let that much money lie around and be untouched.

Anyway, as part of being a sound plan, sitting on its own bottom, with the people knowing where their money is, what is happening to it, with none of it being paid out except under the regular social security law, so far as those things are concerned, and

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they are the ones I have dealt with, they will be a lot better off in their own mind and, actually, they will be better off, too, in the way it will come out.

I hope we can pass this. I believe it is just essential as a step in reform at this time.

I yield the floor, Mr. President.

The PRESIDING OFFICER. The Senator from Florida.

Mr. CHILES. Mr. President, I am opposed to this amendment that would take the social security and disability program out of the unified budget.

I have always said, and will continue to say, that we should not cut social security benefits to make up for deficits in the rest of the budget. That is the stated intent of the amendment, and I agree with the goal. However, I do not think this amendment is necessary to achieve that goal, and I think it would have two serious side effects. First, it would destroy our ability to make national fiscal policy. Second, it could lead to greater Presidential power over Federal spending levels.

I would like to explain that.

Our primary concern with social security is to keep the trust fund sound, so that full benefit payments can be assured. But that does not mean that on a month-by-month or a year-by-year basis the trust funds take in just as much as they pay out. During periods of strong economic growth, when most people are employed and paying taxes, the trust funds run a surplus and build up revenues. During recessions, fewer people are paying taxes and more people take early retirement, so that the system draws down revenues. This is fine for balancing the trust fund, because it should even out over time.

However, when we consider fiscal policy, we are concerned with the total impact of the Federal deficit on inflation and on the credit markets. For those purposes, what counts is the total amount of cash the Government puts out in spending, compared to how much it takes back in taxes. If spending exceeds taxes, then fiscal policy is stimulative, whether that spending comes from general revenues or from trust funds. If taxes exceed spending, then fiscal policy is restrictive. Inflationary pressures are restrained, but so are the forces for economic growth and employment.

Now I am not saying that fiscal policy concerns should dictate social security benefits. Certainly they should not. I am saying that we have to know what fiscal policy is. We need some mechanism to add up all spending and all taxes and see how they compare. If we did not call it the unified budget, then we would have to call it something else.

The proposed amendment of the Senator from Pennsylvania says: Notwithstanding any other provision of law, any concurrent resolution on the budget under this title shall not include in the provisions for the appro-

priate level of total new budget authority and total outlays required, the estimates of total new budget authority and total outlays for each major functional category or for the recommended levels of Federal revenues required under this section, any amounts attributable to budget authority and outlays for the Federal old age and survivors insurance trust fund and the Federal disability insurance trust fund. That says to me when we are considering fiscal policy, "Stick your head in the sand." You cannot find out. You cannot total up how much you are spending.

I guess we will have to walk around the back door. I guess we will have to pass slips of paper in code because we cannot have a total unified budget.

How in the world are we going to ever be able to say that we know something about fiscal policy?

We go back to these arguments about 1967 and 1968. Who in this Congress was concerned about total fiscal policy at that time on anything more than maybe a 1-year basis? We did not look at 5-year numbers; we did not look at 3-year numbers; we did not know or talk much about stimulative policy; we did not talk about macroeconomics. We also were building in the mechanisms for these tremendous deficits that we have been running ever since.

We have been trying to unwind that. One of the ways of unwinding it is to at least provide ourselves with all the information we need to have to make rational decisions which we have to make to determine whether we have a stimulative policy or whether we have a restrictive policy.

My goodness, to say that we are going to have all this money as a surplus in social security, and that it is going to tempt us, I can say to my distinguished friend from Pennsylvania that this is a beautiful argument, but the argument, prior to the time we had these new figures, was just the other way. The argument was that we wanted to take it off budget because if we do not take it off budget we were going to find people trying to cut social security to balance the budget.

Now we are reversing, and now we are saying: "My gosh, we do not want to put it on-budget because we will be tempted to spend all this extra money."

I wonder how many of us really believe there will be all of these surpluses in social security between now and the year 2010. I wish I did.

I wish I believed that we were not going to have to revisit social security again as we have already revisited it since 1978. I am afraid we might well have to, because some things can change.

We know that when we are really talking about what we are seeking here, we are seeking to make ourselves face up to the need for responsible fiscal policy. And remember this: the House has taken medicare off budget

and left medicaid on. How in the world are we going to be able to relate policy changes and differences in what we are doing with that kind of situation? That is the temptation. If we are going to take old age and survivors insurance off, why not medicare? Medicare—the fastest-growing program we have in the Federal budget today, the next crisis that is waiting to blow up on us—are we now going to take medicare off budget?

It certainly can be tempting. We can make the same kind of arguments as to why we should take social security off. We do not want to see people affecting medicare policy and the health of old people just because it might be affecting the budget. Certainly, it does. Certainly, we need to know what that effect is.

Are we going to say on medicare we cannot use those totals anywhere, as the Senator from Pennsylvania has said here: "you cannot include that total."

My goodness, Mr. President, I hope that the Senate—that has tried since we have put the Budget Act into place—will be working to put things back on budget. The thrust in the Budget Committee, as my distinguished friend from Michigan knows, by many members of the Budget Committee, is to take some of the items that have managed to get themselves off budget, some of the agricultural credit programs, and say those need to come back and be on-budget, and that we need to be able to count those because that is borrowing authority.

My friend from Colorado is always talking about having items out there that are always drifting around, that are affecting policy, that are affecting what interest rates are going to be, that are affecting how much credit is out there in the market, and that are off budget. But here we are talking about reversing a proposition that the Senate has been working very hard on, to put items back on budget.

We started it with the adoption of the Budget Act. We have tried to continue it, to make these items come into the budget. Now we are going to take this giant—and I say giant—step backward, because we say social security will be off budget. We shall stick our heads in the sand. We will not allow ourselves to look at how much we are taxing, how much we are paying out, how much the Government is taking from people, to add that number with the general revenue tax and with every other tax we have to determine what is going to be the overall effect on the growth of our economy, on the amount of savings that will be available, on the amount of capital that we are trying to create with all of those items.

I think this would be a giant, giant step backward for the Senate and the Congress to take. I certainly hope it is a step that we will not take.

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The proposed amendment would prohibit us from counting social security revenues and outlays in the totals revenues and spending we put into the budget resolution. Those totals are the only place where Congress addresses fiscal policy. We have no other mechanism to add up taxes and spending and we what it does to the economy. The public would not believe us if we published a deficit each year, but did not include huge portions of Federal taxes and spending. It has already become common knowledge that there is about \$17 billion a year of off-budget spending that adds to the Federal deficit. All the expert testimony we have had from economists at the Budget Committee tells us that we ought to be putting the remaining items into the unified budget, not taking more things out.

Most people are aware that social security is a trust fund, and it is the largest one. But most people are not aware just how much of the Federal budget is paid on a trust fund basis. A quick look shows at least 13 separate trust funds, involving everything from social security, to highways, to unemployment insurance; to inland waterways, and hazardous substances. Programs funded in this way cost almost \$300 billion a year, or more than one-third of the budget.

As Dr. Alice Rivlin, the Director of the Congressional Budget Office, points out in a recent letter, there have recently been proposals to put various of these trust funds off budget. There have been other proposals to make military spending a trust fund, or put it off-budget, to keep it out of the annual political arena. Any time you talk about putting one-third or one-half of Federal spending off-budget you have destroyed our ability to make Federal fiscal policy.

Mr. President, I ask unanimous consent that a copy of Dr. Rivlin's letter appear in the Record at this point.

There being no objection, the letter was ordered to be printed in the Record, as follows:

CONGRESSIONAL BUDGET OFFICE,
U.S. CONGRESS,
WASHINGTON, D.C., MARCH 14, 1983.

HON. PETER V. DOMENICI,
Chairman, Committee on the Budget, U.S.
Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to your request for my comments on the advisability of removing the Social Security accounts from the budget. From the perspective of good budgeting practice, the proposal to remove accounts that represent about one-quarter of all federal spending is certainly inadvisable. In 1980, when Social Security and other trust funds were combined with other programs into the unified budget on the basis of recommendations by the President's Commission on Budget Concepts, the principal reasons were the need for a comprehensive budget and for a single measure of budgetary balance to insure sound fiscal practice. Those needs are no less urgent today.

Exclusion of Social Security would confuse public understanding of the government's fiscal impact. The unified budget is

constructed to show clearly the flow of cash to and from the federal government. Decisions made on spending programs or on taxation can be easily translated into increases or decreases in the deficit and in the government's need to borrow. This important bottom-line data will be needed no matter how Social Security is posted on the books. Current budgetary practice highlights the borrowing needs of the government in a straightforward and clear manner. By contrast, removing Social Security outlays and receipts from the budget would be confusing. To arrive at the government's borrowing needs in any fiscal year, budget documents would have to display a "regular budget deficit or surplus" plus a "Social Security deficit or surplus" to arrive at a "total deficit or surplus." To some extent, this confusion already exists because of current off-budget entities, but putting one-quarter of federal activity in the latter category would worsen the situation appreciably. Discussions of "the size of the federal sector" would be similarly confused, since many are familiar with the fact that the federal government's budget is 20 to 25 percent of gross national product (GNP) and seven of these percentage points would disappear with removal of Social Security.

The budget should be as inclusive of federal activities as possible. In order for the Congress to make informed decisions on how to allocate public monies, it is essential that the basic document underlying these decisions include all federal programs, so that comparisons can be made and tradeoffs can be explicit. This argues for a comprehensive budget, indeed one that would incorporate currently off-budget items and a more satisfactory treatment of federal credit and tax expenditures, not one that excludes a major portion of federal activity.

Social Security is, of course, different from most other programs. Because it is the heart of the social insurance system and because it embodies a long-term contract between the people and the government, Social Security benefits should not be treated as an annual discretionary spending option. But inclusion in the unified budget in no way connotes such a disposition. In the long-term, moreover, inclusion of Social Security in the unified budget does force the Congress to ask the right question: How much can the nation's economy afford for social insurance given competing claims on the economy and given the willingness of taxpayers to pay? Making Social Security a separate entity would unnecessarily narrow this question into "How high a level of benefits can payroll taxes support?" — a question that ignores competing claims, alternative tax sources, and the burden of other taxes.

Exclusion of Social Security from the budget would establish a bad precedent. Within recent months, I have read proposals to remove from the budget a number of accounts based on many of the same arguments now advanced for removing Social Security. For example, some have advocated moving off budget all trust funds (on the principle that their revenues, like Social Security's, are dedicated), all federal retirement programs (because they should not be an annual political football), and national defense (because it is too important to be hostage to cyclical problems). Social Security's removal might lead support to such proposals. In the end, we could have a proliferation of federal sub-budgets, completely eroding the usefulness of the budget as an economic and allocative instrument. Moreover, federal trust funds as a whole are projected to be in substantial surplus over the next five years and, if these surplus accounts are removed from the budget, the

budget that remains will show larger deficits than are currently projected.

The courageous and hard-fought compromise on Social Security involves real changes in the Social Security system and merits greater public confidence in the system's future. It would be unfortunate if the measure to remove Social Security from the unified budget undermined confidence in that compromise.

As the Congress struggles with serious problems in both the social insurance programs and in the overall budget, it is critically important that the clarity, comprehensiveness, and integrity of the unified budget be maintained.

Sincerely,

Alice M. Rivlin,
Director.

MR. CHILES. Mr. President, I mentioned a while ago that putting social security off-budget could lead to greater Presidential control over spending. Let me explain that point.

Many people forget that the Budget Act was born in the impoundment crisis of the early 1970's. It is formally titled the "Congressional Budget and Impoundment Control Act of 1974." As someone who was actively involved in the fight against impoundment, I remember the circumstances pretty well. One of President Nixon's main arguments for impoundment authority was that only the President had the ability to judge fiscal policy. Congress passed its various tax and spending bills separately through the course of the year. At no point did we have to add it all up, look at the bottom line, and vote on the deficit. While the Budget Act makes us go through the painful act of voting on deficits, it also lets us tell the country that we have examined all tax and spending proposals, we have examined unemployment, inflation and interest rates, and exercised our constitutional responsibilities for taxing and spending. Now if we begin putting major chunks of Federal taxes and spending off-budget, we will no longer be able to make that claim. And some President, sooner or later, will make this claim that he has to impound funds in the name of fiscal policy. I think that is a real danger, and opens the door to another constitutional crisis which we should avoid.

Finally, Mr. President, let me speak to the issue of medicare. While this amendment does not put medicare off-budget, the House version does, so it is part of the problem we open up if we adopt this amendment. While medicare is authorized under the Social Security Act, and paid for by a special payroll tax, it is quite different from the retirement system. Benefits are not linked in any way to contributions. Anyone who contributes gets full benefits, no matter how much or how little that contribution is. And those benefits are about to exceed those payments.

The medicare hospital trust fund is facing massive deficits in a very few short years. The system itself will be out of money sometime in 1987 unless we make some changes. Deficits in the

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trust fund will continue to grow every year, reaching over \$400 billion by 1995. We cannot avoid the fact that medicare costs are projected to double in the next 5 years. The reforms being considered in this bill (H.R. 1900), though very significant, will not take care of that problem. We will have to be looking at a variety of solutions, and some consideration of general revenue financing as well as cost control measures will inevitably be options we will have to consider. That has to be done in the context of the overall unified budget.

The impact of medicare on the Nation's economy is significant. Health care is big business. Medicare alone now accounts for 17 percent of all health care payments in the United States, and medicare alone will soon grow to 1½ or 2 percent of the total GNP. Whatever actions Congress takes in medicare have to be viewed in the overall national economy context, as well as in the context of how those actions will affect 30 million medicare beneficiaries.

The House version of this bill recommends that, after 1988, the hospital insurance trust fund be considered outside the unified budget, but that the supplemental medical insurance portion of medicare (part B) remain on-budget. I understand the rationale for that, since the supplemental medical insurance program is not really a trust fund—in fact it is financed about 75 percent by general revenues right now. But I think it is unwise to separate the two since how we treat one affects the other. I would also like to point out that moving a portion of medicare off-budget also separates it from the medicaid program. Health care spending through medicaid is also a significant portion of the Federal budget—over \$21 billion today. From a health policy perspective, medicare and medicaid are closely linked. When we address urgent issues of health care cost containment, both medicare and medicaid must be considered together. Differences in how they are funded are not a controlling factor. If we separate the hospital insurance portion of medicare from medicare part B and from medicaid, we would also open the door to some wild schemes for a back-door route to general revenue financing by simply beginning to transfer responsibility from the off-budget to the on-budget portion.

Mr. RIEGLE. Will the Senator yield?

Mr. CHILES. I yield.

Mr. DOMENICI. Mr. President, I think the Chair had recognized me.

Mr. CHILES. If I still have the floor, I shall yield.

Mr. RIEGLE. I ask the Senator from New Mexico if he will yield for just a question.

Mr. DOMENICI. I shall be pleased to.

Mr. RIEGLE. It seems to me we all serve on the Budget Committee. If this is set apart and it is free standing

as the amendment calls for, what is to keep the Budget Committee from nevertheless considering it when we are trying to make macroeconomic judgments as we do, we are certainly free to take a look at it, certainly free to assess what we think we need with all other Federal activities. If it is free standing, it is not as if by separating it, we are taking it totally out of view. It would still be in view. We would be free to consider it. I do not understand why we could not make the same value judgments if it is free standing and separate as if it is in the budget discipline.

Mr. CHILES. I think the Senator from Michigan would not want us to violate the law. The law would say:

Notwithstanding any other provisions of law any concurrent resolution of the budget considered under this title shall not include any amounts attributable to budget authority and outlays for the Federal old age and survivors insurance trust fund and the Federal disability insurance trust fund.

That just tells me we cannot include that. I certainly would not want to violate the law.

I guess maybe we could go out of the committee room and talk about it. Maybe we could get together over coffee and talk about it.

What a way to run the budget affairs of the United States of America, to say we are taking this major item, one-fourth of the national budget, but we are not going to look at that, we are not going to look at what its effects are; we are not going to include that in determining whether we have a policy that is stimulative or a policy that is restrictive, or what we are doing to the national debt; we just exclude that.

Certainly, I do not think many people would say—well, I hope they would not say—that they are any more concerned about the survival of a sound social security system than the Senator from Florida. I introduced a bill trying to fix the social security system 2 years ago. I did not get any cosponsors at that time, because we had to apply some medicine to the system. Finally, we are getting around to doing it as we get the gun put to our head.

Trying to protect the system does not mean trying to hide it. I think that would be the worst thing to do to protect the system.

Mr. RIEGLE. If the Senator will yield, nobody is talking about hiding it. We are talking about having it stand separate, by itself. The American people want this, the Presidential Commission wants it, we ought to want it.

I am not surprised the Budget Committee does not want to give it up. The Budget Committee, and I am a member of the committee, is reaching in every direction for everything it can get its hands on. The fact of the matter is we can consider this if it is free standing and separate. We can weigh its macroeconomic consider-

ations within the framework of the law. We can weigh all kinds of things now that are outside the Federal budget discipline as we try to make these decisions.

I thank the Senator for yielding.

Mr. CHILES. I thank the Senator and I want to say I have not found the American people saying they want to take a fourth of the Federal budget and exclude it and put a curtain around it and say, do not look at that when you are making your policy, do not look at that when you are trying to determine your overall policy and whether there is going to be sufficient money; just exclude that. I have not found that.

Mr. ARMSTRONG. Will the Senator from Florida yield to me briefly?

The PRESIDING OFFICER. The Senator from New Mexico has the floor.

Mr. ARMSTRONG. I beg the Chair's pardon. Will the Senator from New Mexico yield to me briefly?

Mr. DOMENICI. I would be pleased to yield.

Mr. ARMSTRONG. Mr. President, I just want to congratulate the Senator from Florida on his statement and to associate myself with his remarks, every jot and tittle. He is 100 percent right. This amendment, in my opinion, is a serious mistake for all the reasons he has stated.

I also want to express my full agreement with what the Senator from New Mexico has said. There are few propositions, it seems to me, that are more easily deferred than the adoption of the amendment of the Senator from Pennsylvania. If this is a good idea, it can easily withstand a hearing in the Budget Committee, an airing in a more complete way. I believe the careful study of this amendment will turn up exactly as the Senator from New Mexico and the Senator from Florida have stated.

I do want to clear up one point. That is the recommendation of the National Commission on Social Security Reform. I do not believe the National Commission considered this matter in any great detail. I think I was present on both occasions when it was considered, once for a very few minutes and on the second occasion for a slightly longer period, perhaps 15 or 20 minutes, when there was some discussion on it, some debate. On the first occasion, the indication was that all but two or three members agreed with it. On the next occasion, there was an informal changing of votes, and it is my recollection—and I have not verified my recollection—that several members who had previously indicated their approval of the motion expressed doubts.

So it is not a case where the Commission held hearings on this subject or had extensive consideration. It was considered. I believe it fair to say that a majority approved it but not an overwhelming majority did so.

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I think we should be guided by the advice of the Senator from New Mexico and the Senator from Florida.

Mr. DOMENICI. Mr. President, I raise the point of order against the amendment.

Mr. HEINZ. Will the Senator from New Mexico withhold his point of order, which I shall be happy to let him make if I may speak for just a few minutes.

Mr. DOMENICI. I shall be happy to do that. May I make the point of order and ask that the Chair yield to the Senator?

How much time does the Senator desire?

Mr. HEINZ. The Senator from Pennsylvania would like to speak for about 3 minutes. I have no intention of preventing the Senator's making his point of order, but I prefer to make my remarks before the Senator makes his point of order.

Mr. DOMENICI. That is fine. I yield the floor, Mr. President.

Mr. HEINZ addressed the Chair.

The PRESIDING OFFICER. The Senator from Pennsylvania.

Mr. HEINZ. Mr. President, I thank the Senator from New Mexico for his forbearance, and I shall not take a great deal of time on the part of my colleagues. I do want to set the record straight on a few things. The Senator from Colorado, who I note is also a member of the Budget Committee, is correct that this was a recommendation of the National Commission on Social Security Reform. It is correct that originally 12 or 13 of the members were for it at the time. When it was finally voted on it was 10 to 5; 2 to 1 is still a substantial margin.

Mr. ARMSTRONG. Have we polled them lately? There may have been more shifts.

Mr. HEINZ. But they may have been in the other direction, I say to my friend.

Mr. ARMSTRONG. Mr. President, would the Senator agree, however, that the consideration of this matter by the National Commission which met, I believe, for approximately 13 days of hearings or of meetings, that it was a relatively brief time on two occasions, perhaps totaling 30 minutes in all? It was not an extended discussion, nor were there outside witnesses heard or anything of that kind.

Mr. HEINZ. I would agree that the formal discussion was about the length the Senator said. The informal discussions were, indeed, quite hot and heavy because I had numerous discussions with the Senator from Colorado and virtually every other member of the Commission, as did the Senator from Colorado, I might add.

Mr. ARMSTRONG. Fair enough, and I appreciate that clarification.

Mr. HEINZ. Second, this subject was analyzed at some length by a variety of people, among them the Director of the Commission, Robert J. Myers, who

provided to the members of the Commission on September 8, 1982, memorandum No. 53. I ask unanimous consent, Mr. President, that that memorandum be included in the Record at this point.

There being no objection, the memorandum was ordered to be printed in the Record, as follows:

SEPTEMBER 8, 1982.

MEMORANDUM NO. 53

To: Members of the National Commission on Social Security Reform.
From: Robert J. Myers, Executive Director.
Subject: Inclusion of Operations of Social Security and Medicare Trust Funds in the Unified Budget.

This memorandum presents the pros and cons with regard to the removal of the operations of the Social Security and Medicare trust funds (OASI, DI, HI, and SMI) from the Unified Budget.¹

In Fiscal Year 1969, the operations of these four trust funds were included in the Unified Budget for the first time. Before then, the operations were listed separately from other government operations, and thus they did not affect the overall balance of the Federal Budget. The inclusion of the operations of these trust funds in the Budget has been criticized by some persons because of these trust funds in the Budget has been criticized by some persons because of what they believe to be the artificial effect that they may have on the balance of the Budget. For example, in 1969, the excess of income over outgo in the OASDI Trust Funds had the effect of "balancing" the Budget recommended by President (which, otherwise, would have shown a deficit). The 1981 National Commission on Social Security recommended that the operations of these four trust funds should be removed from the Unified Budget.

If such action were taken, it is important to note that any transactions involving payments from the General Fund of the Treasury to these trust funds (such as interest on the invested assets, reimbursement for military service wage credits, or employer OASDI-HI taxes with respect to covered civilian employees or military personnel) would be shown in the Budget as outgo items.

PROS WITH REGARD TO REMOVING OPERATIONS OF TRUST FUNDS FROM THE UNIFIED BUDGET

(1) Benefit, coverage, and financing changes would not have an effect on the Budget. If the operation of the trust funds were outside of the Unified Budget, any changes which were recommended or enacted would be on the basis of program considerations. It could not, therefore, be argued that the underlying purpose was to balance the Budget. For example, any reductions in the rate of growth of benefit outgo could not be said "to balance the Budget on the back of Social Security". Even if the operations of the trust funds were removed from the Unified Budget, persons interested in the total borrowing demands of the Government could still make the desired analysis by adding together such operations with those of the Unified Budget. (It should be noted that, at present, certain significant Federal programs are "off budget".)

(2) Reductions in administrative expenses for program operations would not be made solely for the effect on the Budget. Current

ly, staff reductions or limitations on personnel levels for the Social Security (and Medicare programs) can be made for budgetary purposes without regard to program requirements. This might be done even if the several trust funds had excesses of income over outgo that could readily meet necessary administrative expenses. If the operations of the trust funds were removed from the Unified Budget, such reductions or limitations on personnel would not affect the Budget, but rather only the operations of the trust funds. It can be argued that the personnel expenditures of the programs should be determined so as to provide high-quality service to the claimants and beneficiaries and so as to assure efficient operations.

(3) A better picture of the effect of payments from the General Fund of the Treasury would result. If the operations of the four trust funds were removed from the Unified Budget, any payments thereto from the General Fund of the Treasury would appear as an outgo item in the Unified Budget. Under the present procedures, such items are of a "wash" nature and do not affect the Budget. At times, this could be very misleading; for example, under a proposal to "bolster" the trust funds by a transfer of very large sums from the General Fund, if this were done, no effect on the Unified Budget would be shown at the time.

(4) Public confidence will not be eroded by the erroneous belief held by some people that Social Security and Medicare taxes are placed in the General Fund of the Treasury and are used for other purposes (such as financing the Marshall Plan, the Korean war, the Vietnam war, or welfare payments). Such persons conclude that the trust funds are now having financial problems because the money was spent for other than program purposes.

CONS WITH REGARD TO REMOVING OPERATIONS OF TRUST FUNDS FROM THE UNIFIED BUDGET

(1) The operation of the four trust funds impact in a major way on private-sector economic activities. Accordingly, the Administration and the Congress should consider these operations within the context of the entire Budget when fiscal policy is formulated. Otherwise, economic policymaking could be confused and hindered.

(2) The operations of the trust funds are too important a part of national domestic policy and governmental expenditures to be operated independently. All governmental programs should be operated under the controls that are now a part of the Budget process. The operations of the four trust funds are such a significant portion of total governmental expenditures that they should not be exempt from the necessary scrutiny which all programs receive under the general budget process.

(3) Inclusion of the operation of the trust funds in the Unified Budget allows for simpler and more straightforward budget presentation. Continuing the operations of the four trust funds in the Unified Budget makes the full scope of Federal financial activities easier to comprehend, especially the proportion of the total spending allocated to each activity—e.g., national defense, health expenditures, and income maintenance.

ROBERT J. MYERS.

Mr. HEINZ. Mr. President, the point has been made by members of the Budget Committee that we should defer consideration of this so the Budget Committee has time to study it. Well, Mr. President, this is not the

¹ It does not discuss the question of whether other trust funds (such as the Railroad Retirement Account and the Civil Service Retirement Fund) should be treated similarly.

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first time this recommendation has been made. Yes, it was made by the National Commission on Social Security Reform in our report of 1983, but it was also made 2 years before that by the National Commission on Social Security which reported in 1981. Frankly, I do not know that the Budget Committee has ever held a jot or tittle's worth of hearings on this since 1981. I suspect they have not.

Mr. ARMSTRONG. Let us tell them to get on the ball.

Mr. HEINZ. Mr. President, if they are on the ball, they should have been on the ball 2 years ago, not here on the floor.

Mr. President, the Senator from New Mexico has been extremely courteous. I reiterate once again that we are not taking social security off budget. It is not going to be the Federal Financing Bank operating in the dark of who knows where. We are not going to hide it. This particular canary weighs about \$225 billion at the present moment.

Now, no one suggests that even Caspar Weinberger can hide the defense budget, which is about the same size. He would like to, I gather. But, Mr. President, nobody's sleight of hand is going to hide the social security program, no matter how big and heavy that hand.

I must say I would find a point made by the Senator from Florida, who I have enormous respect for, to be amusing and ironic, if it was not aimed at this amendment. His point is that the way to keep the hands of the executive branch—and we know that their fingerprints have been around from time to time—the way to keep the hands of the executive branch off of this is to keep it in the budget. I find it immensely ironic that the chairman of the Budget Committee said, when he rose to defend his opposition to this amendment, "And I have here a letter from Dave Stockman who supports the position of the Senator from Florida and the Senator from New Mexico."

Now, the last time I looked, Dave Stockman was in the executive branch. I think he is down at the Executive Office Building. I think he works for the President. I think he has something to do with the executive branch budget process.

Mr. President, I assure my colleagues that one of the reasons Dave Stockman may not like this amendment is that it is not going to be possible for him to. I think the Senator from Florida used the word, "revisit" the social security trust fund.

Mr. President, I hope that is absolutely right; I do not want any Director of the Office of Management and Budget to revisit social security for some other purpose. That is the entire idea behind this amendment.

I think the Senator from New Mexico, frankly, understands the problem we are dealing with here. I know that this is fundamentally a turf

issue. I understand that because I am in my committee, and we in the Senate Finance Committee are as jealous of our turf as anybody else, and we go to considerable lengths to protect it. I do not disagree with the motivations of the Senator from New Mexico or any other members of the Budget Committee, and they are numerous, who are on the floor. They are all looking out for their committee and we would all do the same for ours. But in looking out for the turf of one's committee—and we all do it—I think we still have to put the interests of the country ahead of that in this sense: We have to address the issue which I made on Friday and which I made, if the Senator will remember, with the Senator from New Mexico back on July 29, 1982, on which date the Senator and I, to my mind, had a very important colloquy on the balanced budget amendment, which I ask unanimous consent to have printed in the Record.

There being no objection the colloquy was ordered to be printed in the Record, as follows:

Mr. HEINZ. I commend the Senator from New Mexico on the amendment which he introduced to Senate Joint Resolution 58 and which the Senate passed 97 to 0 on Tuesday. There are a number of details which have to be worked out in the balanced budget amendment, and I think the place to spell these details out is in statute. One major complication to the balanced budget amendment which I would like to see resolved in later legislation is the problem of how to handle social security.

Mr. President, it occurs to me, as I think about how the balanced budget procedure is going to work, that there are going to be some serious consequences for social security financing if the Congress does not enact special provisions for handling this program.

Some have suggested that Senate Joint Resolution 58 needs to be amended to exempt social security from the provisions of the balanced budget amendment. However, in looking over the Senator's amendment and the projected context of the implementing legislation he intends to propose in the future, it is my opinion that Congress will have authority to set up special procedures for social security in statute at a later date.

I would like to take a moment to review the difficulty I see in lumping social security in with other programs in the balanced budget amendment, and ask the Senator from New Mexico if he agrees that his amendment and implementing legislation would assure the hands of the congress will not be tied in responding to these difficulties.

Before he replies let me explain why I think there is going to be a problem. Taking for a moment just the cash benefits part of social security—the old age, survivors and disability insurance programs (OASDI)—we are talking about a program with a 75-year planning horizon. That means that at any particular time, we try to assure that the cash benefits are adequately financed for the next 75 years. This 75-year actuarial balance is a promise of sorts to those now paying tax contributions that there will be funds to pay them benefits when they are retired. Before next summer, the Congress will have to act to correct the long-run imbalance which currently exists in OASDI. When we do, the program will be balanced for the next 75 years, assuming our esti-

mates for the future hold true. The fact that the program will be in balance over the long run does not mean, though, that it will be in balance in each of the next 75 years. Social security is a dynamic program. Constant changes in demographic and economic conditions necessitate the buildup of trust fund reserves in favorable times which can then be spent down in less favorable times. The use of these reserves enables the financing of the system to respond to changing conditions without annual statutory changes in payroll tax rates and benefit levels.

Now the balanced budget amendment is going to establish as the general rule that in each and every year receipts of the U.S. Government should grow no faster than national income, and that outlays should not exceed receipts. At the same time, social security's receipt and outlays will fluctuate depending upon a number of factors such as the relationship between workers and retirees and between wages and prices. In some years social security will have several indeed many years in a row, of surpluses and in other years it will have many successive years of deficits and have to spend some of its reserves.

Trying to forecast budgets more than a few years ahead has its dangers. None of us can state with impunity what the future will hold. But I think there is one long-run phenomenon which we can all agree is likely to occur and which is going to have tremendous effects on social security's finances. This phenomenon is the aging of the "baby boom" generation. Like a rabbit swallowed by a snake, this generation will advance slowly through the age groups—first swelling the ranks of the workers, and then after about 2015, swelling the ranks of the retirees. Under current law, even with the long run deficit we now have in social security, this demographic pattern will result in annual surpluses most likely beginning in the 1990's. Now we are going to do something to improve the financing of social security—and just about anything we do is, I think, going to have the effect of building up even larger surpluses. I would like to ask the chairman of the Budget Committee if he agrees with this assessment. Does he agree that it is likely that we are going to have to build up surpluses in OASDI during this relatively favorable demographic period?

Mr. DOMENEC. Let me say to my good friend from Pennsylvania, first, I compliment him for bringing the matter to the attention of the Senate. It is tremendously relevant. I would say, based on the work of the actuaries, that I agree with the Senator that this is a reasonable expectation. This is indeed likely to happen.

Mr. HEINZ. I thank my colleague from New Mexico.

The second point I would like to make is that these surpluses on an annual basis are going to appear very large within the context of the Federal budget. If you take just 1 year, the year 2010, for example—what you would find is that under the intermediate forecasts we would expect OASDI to spend under current law about \$350 billion in constant 1982 dollars. If the Federal budget is 22 percent of GNP, the Federal budget will be about \$1.5 trillion in that time, in 1982 dollars. It could be smaller.

Current estimates indicate that in that year, under present law, OASDI would take in \$60 billion more in receipts than it would expend in outlays, adding this to a trust fund of more than \$600 billion. If we do any of the things to put the social security system on a sound, long-term basis, frankly those numbers are going to be much larger.

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The surpluses could run as high as \$120 billion to \$125 billion a year. It seems to me that if we have annual surpluses this large there will be enormous pressures to spend these surpluses. In the 1960's we had surpluses in social security. My friend from South Carolina was serving in this body in those days and he well remembers that Congress did spend the money, not only in the 1960's but in 1972 we put through a 20-percent increase in social security benefits.

It seems to me not unreasonable to conclude that in a year like 2010 where there will be a lot of money accumulated with the constitutional amendment limiting the growth in receipts, and with outlays kept at the level of receipts there will be a tremendous incentive to use social security surpluses to allow outlays in other programs to expand.

With all programs balanced on the same ledger, it seems to me quite easy—all to easy—for Congress to decide to spent between \$50 and \$125 billion more each year for 10 or 20 years for nonsocial security programs than they have have in receipts to cover those programs.

Let me ask the Senator from New Mexico, would he agree that this is indeed quite a real possibility?

Mr. DOMENICI. I think there are many of us who have seen what has happened to social security finances in the recent past who are rather anxiously waiting for the day we have these kinds of surpluses in social security. We have not had that kind of phenomenon in a while. Obviously, if we get the kind of reforms that the Senator from Pennsylvania and many others seek, that our President seeks, that the commission he has appointed seeks, we should get those types of surpluses at some point in time. It should be in the time frame the Senator has discussed.

I believe, however, that the Senator is suggesting that there is nothing in the balanced budget amendment to prevent the Congress from increasing spending in one account when receipts to another account increase—as long as total outlays and receipts of the U.S. Government are in balance. That is my understanding also.

Mr. HEINZ. In other words, even though payroll tax revenues are strictly dedicated to the exclusive use of the trust funds, the excess in payroll tax receipts could encourage excess Government spending in other areas. Would the Senator agree with this logic?

Mr. DOMENICI. I believe the Senator may be correct, although it is quite likely that there would be considerable political pressure against digging the Federal Government into that type of hole.

Mr. HEINZ. I appreciate the Senator's comments. I would ask my colleagues to look at the period after 2015. By that time, it is likely that there will be substantial accumulated trust fund reserves on hand to offset the deficits that will begin occurring as the first of the "Baby Boom" generation retire. Again, picking one year 2025 we can see how the balanced budget amendment is going to create problems for social security when it begins to experience these annual deficits. In 2025, OASDI will spend about \$450 billion in 1982 dollars—in the context of a Federal budget—if it is still about 22 percent of GNP—or close to \$2 trillion. In that 1 year, OASDI will, under current law, have a deficit of over \$100 billion and will have, if they have been allowed to accumulate, trust fund reserves of more than \$230 billion. If Congress has enacted one of the proposals to reduce benefits by changing the benefit formula in social security, the reserves in the trust funds will be larger, and the deficit in that year will be smaller—perhaps \$50 bil-

lion or less. Nonetheless, this will be a substantial deficit compared to the fiscal year 1982 OASDI deficit of about \$5 billion in the context of a \$740 billion Federal budget. Again, I would like to ask the Senator from New Mexico if he would agree that it is reasonable to expect, even with the changes in social security financing we hope to enact this year, that beginning sometime after the year 2010, OASDI is going to run annual deficits as it begins paying retirement benefits to the "Baby Boom" generation.

Mr. DOMENICI. Again, based on the work of the actuaries, I agree with the Senator that is a reasonable expectation.

Mr. HEINZ. When we get to that period of deficits, then, and OASDI has annual receipts lower than its annual outlays, unless we can consider distributions from the trust fund reserves in balancing receipts and outlays, it seems to me we are going to be in a bind. If in 2025 social security receipts are \$40 or \$50 billion less than outlays, and if the trust funds cannot be used as receipts in this accounting exercise, then we are going to have to cut either social security benefits by \$40 or \$50 billion, or we are going to have to cut some other programs by those amounts in order to have balanced budgets. Does the Senator from New Mexico agree that these social security deficits are going to make it difficult to balance the budget?

Mr. DOMENICI. Social security deficits that large would certainly complicate the problem of balancing the budget. Our experience in the budget process this year illustrates your point very well.

Mr. HEINZ. And would the Senator agree that it would be unfortunate to have to make cuts in the budget, when, in fact, social security could have built up substantial reserves precisely for the purpose of paying for benefits during these years?

Mr. DOMENICI. I agree with the Senator. Not only would it be unfortunate, but it would also probably create a political furor if that occurred.

Mr. HEINZ. I am concerned, then, that we find some way to assure that the balanced budget amendment does not interfere with the funding mechanism which is already in place for social security. It is my opinion that the Senator from New Mexico's amendment will help in this regard. I think it is important that we discourage future Congresses from using excess Social Security receipts to cover excess outlays elsewhere in the budget. Would the Senator agree that under the provisions of his amendment, the Congress will have the authority to adopt accounting procedures which specify that OASDI and HI outlays and receipts be totaled, and balanced, separately from other U.S. Government outlays and receipts?

Mr. DOMENICI. It is my judgment that my amendment gives Congress the authority to establish through statute accounting procedures to address the problem the Senator has described. I think this is quite feasible. I do not think this would in any way conflict with the intent of either the constitutional amendment or my amendment which the Senate has approved.

Mr. GORTON. Will the Senator yield?

Mr. HEINZ. I will in just a moment.

Now it seems to me another way to handle the problem with social security is to establish a special definition of receipts for use with the social security trust funds. As it stands in years when social security is experiencing surpluses, excess receipts are accumulated in the trust fund accounts and invested in securities. Then later when these "excess receipts" are needed to pay for benefits, the securities are redeemed. Now it is my understanding that on the balanced budget statement, according to the definitions used in the committee report accompa-

nying Senate Joint Resolution 58, social security's "excess receipts" would be matched against outlays in the surplus years—providing the overall Federal budget with a windfall—and could not then be matched against outlays in the deficit years, when social security is actually using them to pay benefits. Now I would like to ask the distinguished chairman of the Budget Committee, whether, as a result of his amendment, the Congress could decide to change this around? Would the Congress have the authority to exclude these "excess receipts" from the definition of receipts in the surplus years and include them in the definition in the deficit years when they are actually being spent?

Mr. DOMENICI. My amendment gives the Congress the authority to decide through legislation on the definitions for terms used in the constitutional amendment. I am confident a way can be found to deal with the potential problem you have described—either through defining receipts as you suggest or through some other accommodation. I am certainly prepared to take a careful look at the Senator's suggestions when we consider implementing legislation.

Mr. HEINZ. I thank the Senator for his response because I think we will all be concerned about voting for something that would have a reverse effect, for example, in not allowing us to plan for the future. My understanding of the amendment the Senator from New Mexico has made to the constitutional amendment and based upon his colloquies here on the floor with others, is totally consistent with what he has just said to me.

When the time comes to draft legislation defining these terms, we can take a closer look at how this can actually be accomplished. But I appreciate the Senator's assurance that Congress will have the flexibility to address this problem in statute. I believe, then, that most of my concerns about the problems for social security in the balanced budget amendment can be resolved at a later date through statute.

I thank my colleague from New Mexico who has been extremely responsive. With his improvements in this amendment, I am sure we can solve this problem through the proper enabling legislation.

Mr. DOMENICI. Let me just add again that I think the Senator has served the Senate well in bringing this matter to our attention. I am sure there will be other kinds of trust funds and revolving funds which will come into existence during the life of our Constitution and this amendment. I think the notions we have raised here on the floor will serve well in interpreting the responsibility and the breadth of definitional authority that Congress will have.

Mr. GORTON. Will the Senator yield for a question?

Mr. HEINZ. I yield.

Mr. GORTON. I may have missed some of the nuances in this colloquy, but is either the Senator from Pennsylvania or the Senator from New Mexico asserting that by definitions in enabling legislation Congress could state social security taxes do not constitute receipts or social security benefit payments do not constitute outlays?

Mr. HEINZ. If the Senator will permit me to respond, the problem that we get into with social security is that under any of the alternative methods of dealing with the system that I have seen—and I have seen, in the last 5 months, about as many, as a member of the National Commission on Social Security, as any living human would want to see, and there are many more forming, I am sure, between now and the time we report back to our colleagues. The social se-

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curity system, because of the way the baby boom moves through, earning on the one hand a lot of money for the social security system before they retire—building up a surplus therefore, before the year 2015, then afterward, if you will, living off that surplus that they necessarily have to build up in the system—if you count social security contributions to that reserve, as you would every other kind of receipt, it causes very serious kinds of problems. The one I referred to in the first instance was that it may cause Congress to overspend.

Mr. GORTON. Why would it make Congress overspend?

Mr. HEINZ. Because of the unified Federal budget. We will have the appearance of running a surplus even though those reserves that we have built up, the so-called surplus in the social security system, will be committed by the legislation to pay benefits in the years after the year 2015 or 2020.

Mr. GORTON. It would be more accurate to say, then, would it not, I ask the Senator from Pennsylvania, that it would allow the Congress to overspend because outlays may equal receipts?

Mr. HEINZ. The Senator is entirely correct, it would allow them. My fear, I say to my good friend, is that it would encourage them.

Mr. GORTON. I would have the same fear. Mr. HEINZ. That is my fear.

Mr. GORTON. I am not sure how that could be prevented by statute.

Mr. DOMENICI. Mr. President, I shall answer the Senator's very direct question. The Senator's question was whether we were saying that social security taxes or social security payments would not be receipts and outlays.

My answer is I did not say anything that indicated that. Obviously, we have some accounting problems of a severe nature, with huge reserves that are going to be spent later.

All I said was that there are ways and means in terms of accounting, definitions and the like, that can indeed make this workable within the terms of the constitutional amendment.

Mr. GORTON. I thank the Senator from New Mexico. In that respect, I agree with him entirely. I assume he would make the same statement in connection with any other trust fund.

Mr. DOMENICI. The Senator is absolutely correct. In fact, I said at one point, that if this amendment becomes part of the Constitution, we may have some trust funds the Senator and I do not know about yet that will have a similar problem. This colloquy ought to help us with those too. There may be similar situations that we ought to be able to take care of by accounting so they do not prejudice their real purpose or the annual budgets in any way.

Mr. GORTON. The Senator is simply saying that by statutes creating and governing those trust funds, we can see to it that the trust fund is preserved, without automatically violating this constitutional amendment.

Mr. DOMENICI. The Senator is correct.

Mr. HEINZ. The Senator is correct. I would only add that one of the things that seems apparent to this Senator—and his view may be shared, I do not know—is that we have not seen any means, at least in the National Commission or the Finance Committee or the Aging Committee, to do what we do with the rest of the Federal budget, which is put it on a pay-as-you-go basis. We do not know how to do that. The demographics do not permit us a strict pay-as-you-go approach in social security, no matter which assumptions, current law or proposed, one accepts. Therefore, we have to have a

method of dealing with the programs which, for good reasons, are not pay-as-you-go programs. I trust that is an answer to the Senator's inquiry.

Mr. GORTON. I thank the Senator from Pennsylvania.

Mr. HEINZ. Mr. President, I think we all remember the balanced budget amendment. The colloquy shows that the Senator from New Mexico was indeed, sensitive to the very problem I described at these charts. That problem was, "How could you make the balanced budget amendment operate if you had these kinds of deficits operating in the budget from the Social Security Trust Fund?"

Now, I do not wish to put words into the mouth of the Senator from New Mexico, but my reading of our colloquy is that he had some real concern about that issue back last year. And I think, Mr. President, that the real issue is how are we going to address that concern today. I do not know how we can have rational budgeting, how we can control the Federal Government in the proper way, if we insist on keeping the tremendous surpluses and deficits that will cycle through the social security program in the so-called budget deficit. That does not mean that we cannot display a consolidated budget. Indeed, we can. That is what we did in 1968, 1967, and in previous years.

Mr. President, I say to my good friend from New Mexico I have concluded my remarks. I appreciate his courtesy, and I understand he has a little message he wants to deliver to the Chair.

The PRESIDING OFFICER. The Senator from New Mexico is recognized.

Mr. DOMENICI. Mr. President, I thank the Senator from Pennsylvania for his participation. I think he has contributed immensely.

I have a couple of responses I should like to make, but in the interest of time, I will not do so, other than to respond to one point.

I hope nobody really believes this is a turf battle. Frankly, it is not. I do not see how you could have a budget resolution and a Budget Committee charged with doing what it is supposed to do and take social security and put it off on the side. If that is turf, it is turf in a sense different from coveting it for some purpose to affect it or hover over it or pull it into a committee and do something with it.

What we are talking about is presenting an appropriate picture of the Government versus the economy. In that sense, it is turf.

Likewise, the amendment does not have any effect on the executive branch, as the Senator speaks of, or CBO. It affects our budget resolutions and nothing more. It does not preclude a President, 5 years from now, recommending changes in social security. It just affects the budget resolutions that come before the Senate and the House.

With that, I raise a point of order against the Heinz amendment on the ground that the amendment violates section 306 of the Congressional Budget Act.

Mr. HEINZ. Mr. President, I move to waive the Budget Act.

The PRESIDING OFFICER. The question is on agreeing to the motion to waive the Budget Act.

Mr. RIEGLE. Mr. President, I ask for the yeas and nays.

Mr. DOMENICI. Mr. President, a parliamentary inquiry. What is the issue before the Senate?

The PRESIDING OFFICER. The question before the Senate is the motion to waive the Budget Act.

Mr. RIEGLE. Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

Mr. DOMENICI. Mr. President, I move to table the motion to waive the Budget Act, and I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the motion to table the motion to waive the Budget Act. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. STEVENS. I announce that the Senator from Nevada (Mr. LAXALT) and the Senator from Illinois (Mr. PERCY) are necessarily absent.

I further announce that, if present and voting, the Senator from Illinois (Mr. PERCY) would vote "nay."

Mr. CRANSTON. I announce that the Senator from Maryland (Mr. SARBANES) is necessarily absent.

The PRESIDING OFFICER. Are there any other Senators in the Chamber who desire to vote?

The result was announced—yeas 56, nays 41, as follows:

(Rollcall Vote No. 39 Leg.)

YEAS—56

Abdner	Goldwater	Nunn
Andrews	Gorton	Packwood
Armstrong	Grassley	Proxmire
Baker	Hatfield	Quayle
Bentsen	Hawkins	Roth
Bingaman	Hecht	Rudman
Boschwitz	Hefflin	Simpson
Chafee	Hollings	Stafford
Chiles	Hodges	Stevens
Cochran	Jepsen	Symms
Cohen	Johnson	Thurmond
D'Amato	Kassebaum	Tower
Denton	Kaesten	Tribble
Dixon	Lugar	Wallop
Dole	Mathias	Warner
Domestic	Mattingly	Weicker
East	McCure	Wilson
Exon	Murkowski	Zerinsky
Garn	Nichols	

NAYS—41

Baucus	Danforth	Hatch
Biden	DeConcini	Heinz
Boren	Dodd	Helms
Bradley	Durenberger	Humphrey
Bumpers	Eagleton	Imouye
Burdick	Fore	Jackson
Byrd	Ghement	Kennedy
Cranston	Hart	Lautenberg

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Leahy	Mitchell	Riegle
Levin	Moynihan	Sasser
Long	Pell	Specter
Matsumaga	Prestor	Stevens
Meischer	Pryor	Tengnas
Metzenbaum	Randolph	

NOT VOTING—3

Laxalt	Percy	Sarbanes
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So the motion to table the motion to waive the Budget Act was agreed to.

Mr. DOLE. Mr. President, I move to reconsider the vote by which the motion to lay on the table was agreed to.

Mr. DOMENICL. I move to table that motion.

The motion to lay on the table was agreed to.

Several Senators addressed the Chair.

Mr. DOMENICL. Mr. President, I raise a point of order against the Heinz amendment on the ground that it violates section 306 of the Budget Act.

The PRESIDING OFFICER. Before the Chair rules, I recognize the Senator from West Virginia.

Mr. BYRD. I thank the Chair.

Seven minutes for this evening.

Mr. President, I asked for recognition at this point to inquire of the distinguished majority leader, if he will, to indicate what the plans are for the rest of the evening.

Mr. BAKER. Yes, Mr. President, I thank the minority leader.

First, let me say I think we are making good progress on this bill now, and I share with the distinguished manager of the bill on this side the hope that we can finish it yet tonight. Therefore, my first answer to the minority leader is I would expect this to be reasonably late night because we still have two or three amendments of consequence to deal with.

It is further complicated by the feeling of the leadership on this side that we must do the jobs bill conference report as soon as we receive it. The last information I have from the other body is that they are now debating amendment No. 62 which deals with targeting, and they expect to vote on that amendment at about 6:30 p.m. I am told that is the only amendment that will require extensive debate and, perhaps, the only one that will require a vote.

Based on that they should complete action on the conference report in the House by 7 p.m. or thereabouts. It has already been enrolled, assuming no further changes are made, and it should be in the Senate by 7:30 p.m.

I hope to admit the messenger as soon as he reaches the door of the Senate Chamber, and since it is a privileged matter, I would ask the Chair to lay the conference report before the Senate, which would temporarily displace the social security package.

I do not know how long it will take to finish the conference report on the jobs bill but based on information I am given by the chairman of the com-

mittee and others, Senator HATFIELD and others, I would not expect it to take a long time. So I would expect we could finish the jobs conference report by, say, 8:30 tonight, in which case we would go back to social security. That would give us from 8:30 to maybe 10:30 or 11 or maybe 11:30 tonight—I see the chairman of the Finance Committee egging me on for an ever later estimate—I think there is a chance, may I say to my friend the minority leader, that we can finish both the jobs bill conference report tonight and the social security bill.

It is important to do that if we can because we have still got a conference, perhaps a long conference, on social security. I do not anticipate a long conference, but it will be, even if the best we can do, it is probably going to be Thursday morning before the House can get to the conference report, and if we can beat that I, of course, want to. But the way it looks right now we will be in until 10 or 11 p.m., maybe later, tonight.

We hope we can finish social security tonight, and if we cannot we will go back on it in the morning. We are going to do the jobs bill conference yet tonight, which should not take very long, and the chances now of getting out Wednesday look slim; the chances of getting out on Thursday look good.

Mr. BYRD addressed the Chair.

The PRESIDING OFFICER. The Senator from New Mexico has raised a point of order.

Mr. BYRD. Mr. President, I ask the Chair to recognize me further, and I thank the Chair.

The PRESIDING OFFICER. The Senator from West Virginia.

Mr. BYRD. May I say to the distinguished majority leader that we are canvassing this side of the aisle to try to get some indication of how many amendments remain and as to whether or not those who would offer such amendments would be willing to enter into a time agreement. That may not be the desire of the distinguished manager to enter into any time agreement. He may feel that better progress can sometimes be made without a time agreement on amendments.

I understand Mr. Lowe has two amendments, Mr. Baucus has two amendments, Mr. Levin has one amendment, Mr. Boren has one amendment, Mr. Matsunaga has one or two amendments, Mr. Brasfield may or may not have an amendment, and Mr. DeConcini may or may not have an amendment.

Mr. RIEGLE. I have an amendment. Mr. BYRD. And Mr. Russel.

Mr. BAKER. That is very helpful, and I will confer with the distinguished manager of the bill and have something further to say about it. If we can lock in that no other amendments may be in order, it may be much easier to enter into time agreements after we have identified those amendments.

I yield the floor.

The PRESIDING OFFICER. The Senator from New Mexico raises the point of order—

Mr. RIEGLE. May I be heard on the point of order before the ruling is made?

The PRESIDING OFFICER. I have deferred to the Senator from Michigan, and I have waited for a long time.

Mr. RIEGLE. I understand. I asked for a chance—

The PRESIDING OFFICER. The Chair has some rights, too.

A point of order has been raised, and it is not open to debate.

The amendment of the Senator from Pennsylvania would affect the concurrent resolution on the budget considered under title III of the Congressional Budget Act of 1974. This is a matter within the jurisdiction of the Budget Committee, and since the amendment is not offered by that committee, it violates section 306 of the Budget Act, and the point of order is sustained.

Several Senators addressed the Chair.

Mr. DOMENICL. I thank the Chair.

Mr. RIEGLE. No. 104.

(Purpose: To require separate functional categories in the budget for the Social Security Trust Funds)

Mr. RIEGLE. Mr. President, I have an amendment I send to the desk, and while we have colleagues on the floor I ask first that it be read.

The PRESIDING OFFICER. The clerk will report.

The bill clerk read as follows:

The Senator from Michigan (Mr. Russel) proposes an unprinted amendment numbered 104.

Mr. RIEGLE. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the end of title I, insert the following:

SEPARATE FUNCTIONAL CATEGORIES IN THE BUDGET FOR THE SOCIAL SECURITY TRUST FUNDS

Sec. . Part A of title XI of the Social Security Act is amended by adding at the end thereof the following new section:

"SEPARATE FUNCTIONAL CATEGORIES IN THE BUDGET FOR THE SOCIAL SECURITY TRUST FUNDS

"Sec. 1104. (a)(1) For fiscal years beginning after September 30, 1984, the President shall, in accordance with the second sentence of section 1105(c) of title XI, United States Code, establish a separate functional category for requests for new budget authority and estimates of outlays for the Federal Old-Age and Survivors Insurance Trust Fund, the Federal Disability Insurance Trust Fund, the Federal Hospital Insurance Trust Fund, and the Federal Supplementary Medical Insurance Trust Fund, and a separate category for estimates of revenues for such Trust Funds and estimates of revenues from taxes imposed under sections 1401, 3101, and 3111 of the Internal Revenue Code of 1954. The categories established by the President pursuant to the preceding sentence shall be used in the preparation and submission of the budget under section 1105(a) of title XI, United States

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Code, for each fiscal year beginning after September 30, 1984. The budget submitted under such section for each such fiscal year shall not classify requests for new budget authority and estimates of outlays and revenues for such Trust Funds and estimates of revenues from taxes imposed under sections 1401, 3101, and 3111 of the Internal Revenue Code of 1954 under any functional category other than the categories established by the President pursuant to this paragraph.

"(2) Notwithstanding any other provision of law, any concurrent resolution on the budget considered under title III of the Congressional Budget Act of 1974 for a fiscal year beginning after September 30, 1984, shall use the categories established by the President under paragraph (1) in specifying the appropriate levels of new budget authority and budget outlays for the Federal Old-Age and Survivors Insurance Trust Fund, the Federal Disability Insurance Trust Fund, the Federal Hospital Insurance Trust Fund, and the Federal Supplementary Medical Insurance Trust Fund and in specifying the recommended level of revenues for such Trust Funds and revenues from taxes imposed under sections 1401, 3101, and 3111 of the Internal Revenue Code of 1954. A concurrent resolution on the budget considered under title III of the Congressional Budget Act of 1974 for any such fiscal year shall not classify the appropriate levels of new budget authority and budget outlays for such Trust Funds or the recommended level of revenues for such Trust Funds and revenues from taxes imposed under sections 1401, 3101, and 3111 of the Internal Revenue Code of 1954 under any functional category other than the categories established by the President pursuant to paragraph (1).

"(b) It shall not be in order in the Senate or the House of Representatives to consider any concurrent resolution on the budget under title III of the Congressional Budget Act of 1974 for any fiscal year beginning after September 30, 1983, or any amendment thereto or any conference report thereon if such concurrent resolution, amendment, or conference report contains any specifications or directions described in the second sentence of section 310(a) of such Act which relate to the Federal Old-Age and Survivors Insurance Trust Fund, the Federal Disability Insurance Trust Fund, or the Federal Hospital Insurance Trust Fund or revenues from taxes imposed under sections 1401, 3101, and 3111 of the Internal Revenue Code of 1954.

"(c) The provisions of subsections (a)(2) and (b) are enacted by the Congress—

"(1) as an exercise of the rulemaking power of the House of Representatives and the Senate, respectively, and as such they shall be considered as part of the rules of each House, respectively, or of that House to which they specifically apply, and such rules shall supersede other rules only to the extent that they are inconsistent therewith; and

"(2) with full recognition of the constitutional right of either House to change such rules (so far as relating to such House) at any time, in the same manner, and to the same extent as in the case of any other rule of such House.

"(d) For purposes of this section—

"(1) the term 'budget outlays' has the same meaning as in section 3(1) of the Congressional Budget and Impoundment Control Act of 1974;

"(2) the term 'budget authority' has the same meaning as in section 3(2) of such Act; and

"(3) the term 'concurrent resolution on the budget' has the same meaning as in section 3(4) of such Act."

Mr. RIEGLE. Let me just say while we have a good attendance here that I think on an issue of this kind which represents a recommendation from the National Commission on Social Security, which is the proposal that Senator HEINZ and I put forward, and which we have just had a procedural vote upon, when that same recommendation has been adopted within the House bill, that by any reasonable measure of germaneness that issue ought to be one we ought to have a chance to vote on up or down on the merits.

Now I understand the effort by the Budget Committee to prevent that happening. It is very much a turf struggle here, and I say that as a member of the Budget Committee. The Budget Committee wants to retain the authority here, if it can, to keep this matter fully within the budget.

The amendment that I have just sent to the desk would be different in this respect: It would recognize the inclusion of social security within the budget, but it would not allow the Budget Committee to include social security within the reconciliation process. That is the key issue.

I hope—I address this to the Senator from Kansas, the chairman of the Finance Committee and others—if we are going to have mandated changes in social security in the future, they ought not to come from the Budget Committee. They ought to come from the authorizing committee which can bring forward whatever recommendations it wishes to make.

But in the past what has happened is that the legislative committees have been bypassed by means of the reconciliation process, and you have a Budget Committee serving as the master committee of all of the committees of the Senate. It is not a good process, and I think now is the time to break away from it.

So my amendment differs in that respect. It will leave social security in the budget process, although I think it ought to come out. But it would say that social security, that function, would not be included within the reconciliation process. That means the Budget Committee cannot make those recommendations and come here and in effect offer a mandate as to changes that ought to take place here. That responsibility properly ought to reside within the legislative committee of jurisdiction which is Finance and this would respect that division.

So I hope that the chairman could accept this amendment. Otherwise, we are going to have to debate it here for a while and, in due course, I hope to have a vote on it.

I think this is a reasonable compromise. It addresses precisely what the Senators from New Mexico and Florida asked for earlier, and that is inclu-

sion of social security within the budget, but it strikes the reconciliation power, which means that they do not have the power and the Committee on the Budget does not have the power to come in here mandating legislative changes in social security. That would be a responsibility retained for the Finance Committee, where it ought to be.

Unless, in fact, the Budget Committee seeks that legislative power, I would think that those two Senators and any others who voted on that side ought to support this amendment. Because this amendment accomplishes everything they ask for short of the power to mandate reductions in social security based on the thinking of the Budget Committee.

Mr. CHILES. Will the Senator yield?

Mr. RIEGLE. Yes; I yield.

Mr. CHILES. As I understand the amendment of the Senator, it would not only prevent the reconciliation of social security but it would also prevent any reconciliation of medicare?

Mr. RIEGLE. That is correct.

Mr. CHILES. Well, I think if you really want to look at the next crisis that we have, it is medicare. Medicare is a little different from social security.

Now I think it is interesting to note that the Budget Committee is the great ogre in this, but there is no reconciliation unless this body adopts it. It takes the Senate to decide that there is going to be a reconciliation. It takes the Senate to say we think that now we should instruct committees that they have to make some changes or have to make some savings.

Now, I am not sure that the Finance Committee, when we get to problems on medicare, is not going to want at some time to be instructed that they have to do something. If they are instructed they have to do something, then they go do it. But, if the body, the Senate, has not made instructions to do that, I do not know what we are going to do about medicare. Again it takes this whole body to determine that.

Here we are debating a bill in which we are talking about making the social security system sound—and that is very necessary—and we are going to, while we are doing that, tie our hands behind our back so that we will not be able to have the tools necessary to make medicare sound.

Medicare is not sound today. All of us know that. It is a crisis ready to just explode or to be discovered, concerning what the costs have been and the way the costs have accelerated and the way they continue to accelerate.

Now you are going to say by this nice, little amendment here that the Budget Committee cannot make a recommendation to this body that we should include savings that should be done to perfect or protect medicare. It takes the body to do that, not the Budget Committee.

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Maybe it is a good thing not to have that responsibility, not to have to point out what the problems are in that and to bring those problems to the Senate. But I think it would be sort of a bad day for the Senate if we started chopping away at the Budget Act to say you cannot reconcile in medicare, because we all know the problem that is there in that regard.

It would seem to me, if we are going to do something like this, we ought to hold hearings, we ought to determine, through the Committee on Governmental Operations, which is the committee that created the Budget Committee—and that committee is going to hold some hearings on the Budget Act now—we ought to be looking at that before we determine that we want to say that we are going to take away medicare.

CBO says medicare is going to be broke in 1987. Medicare costs are projected to double from \$57 billion to \$112 billion in the next 5 years—in 5 years those costs are going to double.

What you are going to say in this nice little amendment is: "Budget Committee, don't look at that. We don't want to hear from you on that. Don't have anything to say on that. Don't recommend to the Senate that we do anything about that."

Mr. RIEGLE. If the Senator would yield at that point, that is not what it says. The Budget Committee is free to make a recommendation any time it wants to on this issue. The difference is it is not in a position to mandate legislative changes.

Mr. CHILES. But I say to the Senator from Michigan, the Budget Committee does not mandate, the Senate mandates. It is only when you have a vote, a majority vote, in this Senate, that you have a mandate. The Budget Committee just recommends. That is all it does. It takes a majority of the Members of this Senate to make any reconciliation.

Senator RIEGLE says the reconciliation gives the Budget Committee the right to change social security. All the Budget Committee does is say to the Finance Committee, "Save a certain number of dollars." Again, it is up to the Finance Committee to determine where to save that money. We cannot tell the Finance Committee whether to do it off of social security, off of medicare, or anything else. We just project to them to save a certain number of dollars. It is still up to the Finance Committee to determine whether they are going to save it.

Mr. RIEGLE. If the Senator would yield, he is certainly aware of the fact that if social security is one of the functions that is included in there, then that becomes part of the mandate as to where the savings can come from.

Mr. CHILES. No; it is not binding.

Mr. RIEGLE. What I am suggesting is we take it out of the reconciliation process so there is not any ambiguity about it. Let us treat social security

and the trust fund on their own bases. Let us keep those to the side in terms of reconciliation.

The fact of the matter is by including them, you make them targets. That is precisely what you do. And you can obscure it any way you want with whatever kind of language you want. The fact of the matter is that is what happens and people do not want that any more, and the Social Security Commission does not want it any more.

Mr. CHILES. The fact of the matter is I want to face it very directly. I think medicare is going to have to be a target. I think medicare is going to have to be looked at and examined by this Congress and by this Senate to determine what in the heck we are going to do about a program that is going to double in 5 years, a program that is going to go bust in 1987. And if you are going to say to the Budget Committee, "Get out of that act, don't have anything to do with that, don't look at that," then, my goodness, you might as well decide that the Budget Committee better not look at anything.

That is the most drastic problem that is going to face the Congress in the next year. As soon as we finish this one, we better be working on that next one. Because that is the biggest problem we have on the block and the biggest problem we have for those old people out there that are the recipients. How are we going to pay for it, how are we going to continue to try to cover it? And you are going to say, "Don't look at it in the Budget Committee."

Mr. RIEGLE. If the Senator will yield, what I am hearing is the Budget Committee is becoming the committee for the Senate. We are going to make all of these decisions in the Budget Committee. We do not have the legislative jurisdiction in that area.

Mr. CHILES. Will the Senator yield?

Mr. RIEGLE. I will yield in just a minute.

The Budget Committee does not have the legislative authority to delve into these issues. That is a responsibility of another committee in the Senate. As a matter of fact, that is one of the reasons that no member of the Budget Committee were members of the Social Security Commission. The Finance Committee members were named to the Social Security Commission, not the members of the Budget Committee. They were Finance Committee members, as properly they should have been.

The fact of the matter is that this matter should not be included in reconciliation. That is the problem of the last few years, a problem that has to be corrected.

Mr. CHILES. The Senator hears what he wants to hear, but I must say that the Budget Committee is certainly not the committee of primary jurisdiction, but it is the committee that looks at the fiscal condition of the

Nation. It looks at the fiscal policy. If you say we will not be able to look at medicare, an area that is going bust in 5 years, an area that is going busted under the CBO in 1987, and to say we are going to exclude that from the province of the Budget Committee, we are not going to consider that and allow them to make a recommendation to the Senate as to what should be done, to me you might as well do away with the Budget Committee because that is the biggest problem that we have on the block.

We are saying we are taking away from that problem, and we are doing it in a handwritten amendment, with no hearings on the amendment, no consideration by the Commission on Medicare, and no consideration by anybody. We are writing that down and we are about to do that at this time of night. I think it would be a tragic, tragic thing, if we do.

I yield the floor.

Mr. RIEGLE. Mr. President, I think now this amendment really sort of strips the debate right down to its essentials. That is that it is clear, I think, to anybody who is following this debate. The earlier arguments that the Budget Committee wanted to be able to keep track of this, for broad macroeconomic policy reasons and considerations, was really not the fundamental argument being advanced by the other side. The fact of the matter is that they want to have jurisdiction over these trust funds under the reconciliation process. It is a far more questionable purpose, disturbing purpose, on the part of the Budget Committee in this particular instance.

This is precisely what the National Commission on Social Security recognized. That is that this issue should not be locked into the reconciliation process coming out of the Budget Committee because what happens is in order to finance other areas of the Federal Government one raid after the other is made upon either social security or the other trust fund activities, whether they be medicare coverage or whether they be the early retirement benefit or what have you.

Systematically, time after time after time, an effort was made to reduce those over the last 2 years and to take that so-called room in the budget and allocate that to other things, because we have not cut the overall budget one dime. The budget is rising every single day, the deficits are rising, the money is being transferred.

The purpose of the recommendation of the Social Security Commission was to set the trust funds aside so that they would not be the target of that kind of manipulation within the budget process.

So what this amendment does—we concede the point, though I do not like to do it—is to leave the trust funds within the budget for any type of macroeconomic analysis that wants to be done, but when it comes to the hard

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bottom line of reconciliation, the trust funds will be set aside from the reconciliation and treat the Federal budget as an entity without those trust funds being figured in in reconciliation.

I am not surprised that the Budget Committee squawks about that. They want the power, as a matter of fact. Every other legislative committee in the Senate knows that. Everybody has bumped into the Budget Committee at one time or another on issues of this kind.

We are not equipped in the Budget Committee, in my judgment, to make the kind of substantive program decisions that, in a sense, are required when making major alterations in spending in the social security trust fund programs. To come in and, in a sense, lock in those requirements through a reconciliation process is the wrong way to proceed.

The committees of jurisdiction ought to retain that jurisdiction. I am surprised that they are not here fighting harder for it, rather than just surrendering it to one all-powerful committee which is prepared to do all the thinking for all the legislative committees around here. I do not think that has helped the Senate. I think that has ended up getting us into trouble.

We have seen that in social security. That is why we have the recommendation before us from the President's Commission, 10 of whom were selected by the White House and 5 by the opposition party, saying that it is time to take the politics out of social security, to take it out of the budget process, take it out of the reconciliation process, and restore the integrity of this money, to put it into a situation where it is free standing and where it cannot become the subject of budget manipulation or any other kind of manipulation. That is the issue here. It is that simple.

People understand it. Polls have been done that show people think that social security and the trust funds ought to be taken out of the Federal budget, put on a freestanding basis, monitored more closely with outside public participants on the board, which is a recommendation which we also adopted in the package here, in order to see to it that this money is not taken and diverted for other purposes. That is precisely what is happening under reconciliation.

It is time to put a stop to it, if we are going to restore credibility to the social security system and people being able to have faith that the moneys they are going to put into the system will be there when they need to call on it. We need to set this aside and get it out from under the manipulation that takes place in the reconciliation process.

Mr. DOMENICI addressed the Chair.

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. DOMENICI. Mr. President, I rise not in support of the Budget Com-

mittee on this matter but, rather, in support of the committee of jurisdiction to make changes that might be needed from time to time in the disability program, the social security program, and medicare. Basically it is the Finance Committee that will be affected by this amendment and not the Budget Committee.

All the Budget Committee does with reference to a program like medicare, which is going to be bankrupt soon, is tell the committee of jurisdiction, which has jurisdiction over many programs, that they have to make savings of a certain amount in each of the next 3 years. It is up to them to decide where they make the savings, how they make them, but, indeed, they get the protection of coming to the floor when they make those tough decisions, coming in here with a reconciliation bill, after we have voted to give them direction and the House has voted to give them direction, and we have gone to conference and voted on a conference.

Then the Finance Committee, as the committee of jurisdiction, is the committee that will decide how they will reform it, if they reform it, to save the money prescribed. But they get the benefit of a reconciliation bill in taking these very difficult steps that are necessary.

If we are going to come to the floor and in a piecemeal manner, with a Budget Act that clearly says no bill, resolution, or amendment to any bill, resolution or amendment is in order unless it comes from the Budget Committee, if we want to just throw that away and say we do not want anyone making any tough decisions about medicare or disability insurance, we do not want to give the Finance Committee any opportunity to bring a bill to the floor protected by the Budget Act so you can get it voted on, so you can protect it against nongermane amendments, then vote with the Senator, and we will just piecemeal here decide in advance before the Senate gets to vote on a reconciliation, before Finance gets to look at it and see if they like it, if they want it, if it helps accomplish their purpose, then vote for what the Senator is voting for.

It is not social security, it is disability and medicare. But in the final analysis, it is saying we can instruct the Finance Committee in reconciliation but it will have no binding effect in the areas he has described. I do not believe any Senator wants to do that. I think that is an absolute shambles, no way to handle a Budget Act. We may just as well repeal it as do what he is asking for.

The PRESIDING OFFICER. The Senator from Kansas.

Mr. DOLE. Mr. President, I have listened to the Senator from Michigan. I agree with some of the points he made. However, after listening to the Senator from New Mexico and the Senator from Florida (Mr. CHILES), I really believe that we are going to be

faced with a crisis in medicare in a couple of years. As I understand the budget process and having been on the committee a couple of years, I do not think the Budget Committee reconciles medicare. As I understand, they give the committee a target figure. The Budget Committee may have medicare in mind when they do that, but there is no specific target for medicare, is that correct? That has not changed.

Mr. DOMENICI. The Senator is absolutely correct.

Mr. DOLE. If, in fact, we are going to start to amend the budget process, then I would like to be a part of it. I have several concerns with the Budget Committee and with the process itself in its relation to the Senate Finance Committee. I would rather amend the budget process in a broader sense than this amendment would provide.

I certainly compliment the distinguished Senator from Michigan. I think he is, in effect, trying to protect our jurisdiction.

As he properly pointed when we wanted to address social security, we took members from the Finance Committee. That is our jurisdiction. Somebody has suggested a Commission on Medicare. I am certain it would go to the Finance Committee, if there are public members.

I hope that I can speed up the process by moving to table the amendment without offending the Senator from Michigan. I certainly have an open mind on what the Senator from Michigan has outlined but I would prefer not to try to resolve it this evening. It is my hope that we can move quickly on this and other amendments and still finish tonight. So I move to lay the amendment on the table.

Mr. DOMENICI. I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the motion to lay the amendment of the Senator from Michigan on the table. The yeas and nays have been ordered. The clerk will call the roll.

The bill clerk called the roll.

Mr. STEVENS. I announce that the Senator from Illinois (Mr. PERCY) is necessarily absent.

Mr. CRANSTON. I announce that the Senator from Missouri, (Mr. EAGLETON) and the Senator from Maryland (Mr. SARBAKES) are necessarily absent.

The PRESIDING OFFICER. Are there any other Senators in the Chamber wishing to vote?

The result was announced—yeas 68, nays 29, as follows:

[Rollcall Vote No. 40 Leg.]

YEAS—68

Abdnor	Baker	Boren
Andrews	Bentsen	Boschwitz
Armstrong	Bingaman	Chafee

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Chiles	Hecht	Packwood
Cochran	Heflin	Pressler
Cohen	Heinz	Proxmire
D'Amato	Helms	Pryor
Danforth	Hollings	Quayle
Denton	Huddleston	Roth
Dixon	Humphrey	Rudman
Doyle	Jepsen	Simpson
Domenici	Johnston	Specter
Durenberger	Kassebaum	Stafford
East	Kasten	Stevens
Exon	Laxalt	Symms
Ford	Long	Thurmond
Garn	Lugar	Tower
Goldwater	Mathias	Tribble
Gorton	Mattingly	Wallop
Grassley	McClure	Warner
Hatch	Murkowski	Wilson
Hatfield	Nickles	Zorinsky
Hawkins	Nunn	

NAYS—29

Baucus	Hart	Mitchell
Biden	Inouye	Moynihan
Bradley	Jackson	Pell
Bumpers	Kennedy	Randolph
Burdick	Lautenberg	Riegle
Byrd	Leahy	Sasser
Cranston	Levin	Stennis
DeConcini	Matsunaga	Tsongas
Dodd	Melcher	Welcker
Glenn	Metzenbaum	

NOT VOTING—3

Eagleton	Percy	Sarbanes
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So the motion to lay on the table was agreed to.

Mr. DOLE. Mr. President, I move to reconsider the vote by which the motion was agreed to.

Mr. GOLDWATER. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

UP AMENDMENT NO. 107

(Purpose: To correct the provision relating to child dropout years)

Mr. ARMSTRONG. Mr. President, I have two amendments I should like the Senate to consider, and the first is a technical amendment which I send to the desk.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Colorado (Mr. ARMSTRONG) proposes an unprinted amendment numbered 107.

Mr. ARMSTRONG. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 105, strike out lines 5 through 13, and insert the following:

Sec. 122. (a) Section 215(b)(2)(A) of the Social Security Act is amended to read as follows:

"(2)(A) The number of an individual's benefit computation years equals the number of elapsed years reduced—

"(i) in the case of an individual who is entitled to old-age insurance benefits (except as provided in the second sentence of this subparagraph), or who has died, by 5 years and by any child-care years (as defined in this paragraph), and

"(ii) in the case of an individual who is entitled to disability insurance benefits, by the sum of the number of years equal to one-fifth of such individual's elapsed years (disregarding any resulting fractional part of a year) and any child-care years (as defined in this paragraph) but not by more than the sum of 5 years and any such child-care years.

Clause (ii), once applicable with respect to any individual, shall continue to apply for purposes of determining such individual's primary insurance amount for purposes of any subsequent eligibility for disability or old-age insurance benefits unless prior to the month in which such eligibility begins there occurs a period of at least 12 consecutive months for which he was not entitled to a disability or an old-age insurance benefit. If an individual described in clauses (i) or (ii) is living with a child (of such individual or his or her spouse) under the age of 3 in any calendar year which is included in such individual's computation base years, each such year (up to a combined total not exceeding 2) shall be considered a 'child-care year' if in such year the individual was living with such child substantially throughout the period in which the child was alive and under the age of 3 in such year and the individual had no earnings as described in section 203(f)(5) in such year. The preceding sentence shall apply only to the extent that its application would not result in a lower primary insurance amount. The number of an individual's benefit computation years as determined under this subparagraph shall in no case be less than 2."

Mr. ARMSTRONG. Mr. President, I will take just a few seconds to explain the amendment. The amendment has been discussed with the staff.

It simply clears up a provision which already appears in the bill.

Mr. MOYNIHAN. Mr. President, may we have order?

The PRESIDING OFFICER. The Senate will be in order.

Mr. ARMSTRONG. I thank the Chair, and I thank the Senator from New York.

Mr. President, the bill, as it comes from the Finance Committee, provides two additional dropout years when computing benefits for a worker who leaves the work force to care for very young children while at home.

I offered this amendment in committee and was pleased that it was adopted. However, when the legislation was drafted following the committee markup, somehow the full import of the intention was not included in the actual drafted language, and therefore this technical amendment is necessary.

As the provision now appears in the Finance Committee bill, it would be operative in only a relatively few cases. The reason is that the child care dropout years provided are applied after selecting the years to be used in determining the person's average earnings instead of before selecting those years, as is done for the regular 5-year dropout applicable to all beneficiaries. The actuarial cost estimates assumed that it would be fully operative and this is allowed for in the funding of the bill.

This is purely a technical amendment, and unless there is further discussion, I will call for the question on the amendment.

The PRESIDING OFFICER. Is there further debate?

Mr. DOLE. Mr. President, the Senator from Kansas confirms what the distinguished Senator from Colorado

has just stated. We did adopt the amendment in the committee. However, it was called to our attention that we need a change in the wording of the amendment to do what the Senator from Colorado intended. That is precisely what the Senator has done.

Under the 1980 disability amendments, up to 3 child care dropout years were provided for persons applying for disability benefits who had years caring for a child under age 3. In order to qualify, however, the person could have no earnings in that year. Child care dropout years are computed after determining regular dropout years in the benefit computation.

The committee amendment contains a provision which allows up to 2 additional dropout years for persons applying for retirement, survivors or disability benefits. The provision would have the same eligibility requirements as under current law in the case of young disabled workers. That is, the wage earner must have had a child under age 3 in his or her care and the wage earner could not have any earnings in that year. As under present law, if after dropping 5 years of low earnings, the wage earner also has extra years of no earnings, he or she may be able to claim 1 or 2 child care drop years.

The amendment would change the computation of child care dropout years so that those dropout years are determined before providing the regular drop years now in the law for all workers. This would insure that women—or men—who stay out of the work force to care for a child actually receive some advantage over present law.

I understand from the social security actuaries that this amendment would not increase the short- or long-range cost of the proposal in the committee bill.

This is a good amendment, and I think it should be accepted.

Mr. MOYNIHAN. Mr. President, the Senator from Colorado is quite correct in his statement.

I will take just a moment to call attention to the amendment he offered on child care years and to remind Senators that there are more than a few provisions in this legislation which liberalize the system and get rid of inequities—in this case, for working women, and particularly older women as well.

This is not just an unalloyed bit of castor oil. There are many positive aspects, and one of them is precisely to be ascribed to the efforts of the Senator from Colorado, for which I express my appreciation.

Mr. ARMSTRONG. I am grateful to the Senator from New York for his observation, particularly his words about my role in presenting this amendment. He is correct. There are throughout this bill a number of provisions which liberalize benefits. I thank him for his observation and for his encouragement in this amendment and the

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others in which he has had a large hand.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment (UP No. 107) was agreed to.

Mr. ARMSTRONG. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. DOLE. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

UP AMENDMENT NO. 108

Mr. ARMSTRONG. Mr. President, I send an amendment to the desk.

The PRESIDING OFFICER. The amendment will be stated.

The bill clerk read as follows:

The Senator from Colorado (Mr. ARMSTRONG) proposes an unprinted amendment numbered 108.

Mr. ARMSTRONG. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 125, beginning with line 19, strike out all through page 129, line 23.

Redesignate subsequent sections accordingly.

On page 130, strike out the matter between lines 11 and 12, and insert in lieu thereof the following:

In the case of a taxable year—

Beginning after:	And before:	Percent
December 31, 1983.....	January 1, 1985	10.8
December 31, 1984.....	January 1, 1990	11.4
December 31, 1989.....		12.4

Page 131, in the matter between lines 14 and 15, strike out "2.9" in the item relating to 1984 and insert in lieu thereof "2.6".

Mr. ARMSTRONG. Mr. President, I send this amendment to the desk on behalf of myself and the Senators from Georgia (Mr. NUNN and Mr. MATTINGLY), the Senator from Nebraska (Mr. ZORINSKI), and the Senator from Idaho (Mr. SYMMS).

This amendment simply leaves the payroll tax alone. The Commission's recommendations and the proposal which appears before us now as the Senate Finance Committee recommendation increases the already large payroll tax burden on the workers and employers of the country and does so, it seems to me, at a most inopportune time.

During the 1970's, tax maximums quadrupled. They will triple again during the 1980's as the result of legislation already on the books, without taking into account the increase which is called for by this legislation. It seems to me that such an increase on top of that which is already in progress—that is, the twelvefold increase in payroll tax maximums of the 1970's and 1980's—is not only illogical, is not only bad economic policy, but also in its essence is unfair.

Let me say a word first about the possible effects of higher payroll taxes on our overall economic situation, a matter I judge to be of great concern

to all Senators, as it is to our constituents, because I think most of us believe that we are just beginning to see an economic recovery which will eventually bring unemployment rates down to some kind of halfway acceptable levels. But if we are going to have that recovery and if people are going to go back to work, I suggest that it does not make sense to increase payroll taxes.

I approach this from a very simple point of view, and it is that if you tax something, you are going to get less of it. The last thing we want to get less of at this critical moment in our history is jobs. We want more jobs.

In 1977, the last time we increased payroll taxes, the Congressional Budget Office estimated that the then tax increase would cost some 500,000 jobs. I do not think it is a coincidence that since that massive payroll tax increase we have seen a growth in the problem of chronic unemployment.

So the first reason I urge my colleagues to support this amendment is that it is bad macroeconomic policy.

Second, I would suggest to you the higher payroll taxes simply are not there. Counting both the employer and employee contribution, the average working man and woman in this country pays more in payroll taxes than they do in Federal income taxes. Think of it. A tax which was originally expected and intended to be a very, very modest small tax has now grown to be larger than the basic Federal income tax for more than half the workers of this country.

One of our colleagues pointed out to me just within the last 15 minutes that when he first went to work he paid \$40 the first year he worked in social security taxes, and he estimates that if he went to work in that same job today at today's wages for that same job he would pay \$2,200.

That is not a trend that is unknown to working men and women. In fact, many of them feel that this is a serious injustice, and I think they are right.

I am not bold enough tonight to suggest that we roll back the payroll tax increases of 1977, but I do suggest this is not the moment to further increase the tax as is suggested by this bill.

I wish to also point out to the Senate that higher payroll taxes are highly controversial with the people who pay them, and the tendency of raising taxes in order to finance the deficit in the social security system is precisely to feed the flame of what someone has called an intergenerational time bomb.

I do not perhaps think that is an entirely accurate characterization. It may be an overemotional characterization of the concerns that younger workers have, but I do note that they are more and more reluctant to support the social security system, and one of the things we want to get out of the passage of this bill is a shoring up of public faith and confidence in social security and putting to ease the divi-

siveness that has characterized this to a large extent.

What is the justice of it? Aside from how anyone feels about it, what is the real bottom-line justice of a payroll tax increase as compared to the benefit increases that we have seen in social security?

Mr. President, I would suggest to you that there is no stronger reason than just fundamental justice not to increase taxes. We all know that the source of support, the principal source of support for social security is payroll taxes. Benefits during recent years under social security have risen very rapidly. As a matter of fact, during the last decade benefits for social security have risen nearly twice as rapidly as the payroll on which the tax is based; that is, the earning capacity of the workers of the country.

As a matter of fact, just to put it in an even clearer perspective, social security benefits have risen about 50 percent faster than the Consumer Price Index, while wages of working men and women have fallen behind the growth of the CPI.

So for all of these reasons and one more which I wish to mention, I urge the adoption of the amendment.

The final reason to some may not be important, but for some of us it has a very great significance, and this is the question of the refundable tax credit which is built into the Finance Committee recommendation. We have had a principle of parity of treatment between employer and employee all these years back to the very beginning of social security. In the bill we violate that principle by providing a refundable tax credit for 1 year of the employee's portion of the payroll tax increase.

Now, that crosses two thresholds that I am reluctant to cross. One is the general fund financing threshold and the other is the parity between employee and employer. If we roll back the suggested tax increase, we avoid the necessity for doing so.

For these reasons, Mr. President, I urge the adoption of the amendment.

The PRESIDING OFFICER (Mr. MATTINGLY). The Senator from New York is recognized.

Mr. MOYNIHAN. Mr. President, the Senator from Colorado expresses the judgment feeling that many of us have and none of us would in any way wish to do what this bill is doing with respect to payroll taxes if it were not an irony. We must raise 160-plus billion dollars in the next 8 years or our system will be defunct. If we do it we will go into a longer period of surplus which will surprise us but is there.

I fear to report that the amendment before us would cost more than \$42 billion in round terms, one-quarter of the additional revenues that we seek, and without which we do not have a secure system, without which, Mr. President, we do not have legislation.

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The PRESIDING OFFICER. The Senator from Idaho is recognized.

Mr. SYMMES. Mr. President, I am pleased to be a cosponsor of the amendment offered by my colleague from Colorado, Senator ARMSTRONG, to eliminate the payroll tax increases in this bill.

While the payroll tax increases scheduled to go into effect in this bill will provide some relief to the social security system in the form of higher revenues, this relief to the system might prove to be temporary. Slower economic growth as a result of the payroll tax increases might aggravate the system's financial burden.

The increase in the payroll tax rates represents an increase in cost to both the employers and employees. The higher cost to employers is an impediment to business spending on both labor and capital inputs. Faced with the higher tax rate per employee hired, it discourages labor employment. Also, the increase in business costs reduces the available funds for business expansion. As a result, growth in investment is slower with the tax rate increase than without it.

The higher cost to employees provokes the leisure/work tradeoff, because it will mean that it will be relatively cheaper to engage in nonwork activity than it is to work. More importantly, it encourages early retirement in the face of lower after-tax incomes relative to generous social security benefits.

The slowdown in capital and labor investment with the tax increase is translated into slower output per man-hour. Accordingly, overall economic performance is made worse off by the increase in payroll tax rates.

As far as the social security budget is concerned, the slower economic activity with the tax rate increases implies a lower earnings base along with higher unemployment. Therefore, revenues will be lower while the demand for benefit payments will be higher.

Mr. President, while I sincerely respect the efforts of the chairman of the Senate Finance Committee and the efforts of the President's Commission on Social Security Reform to propose and implement a compromise solution to the solvency problems of the OASDI trust fund, I believe the tax increases proposed in this package will do more harm than good.

As everyone knows, we have severe unemployment in several sectors of our economy. Why we are passing legislation which will make that unemployment situation more severe is beyond me. Payroll taxes are a tax on employment and every time you tax something, you will have less of it.

Surely, the senior citizen community does not want to sacrifice the jobs of others just so that all of them can receive cost-of-living adjustments which actually overcompensate them for the increased living expenses they are incurring.

I would encourage all of my colleagues to join Senator ARMSTRONG in supporting his amendment.

I make one point. The President's own economic adviser, Dr. Feldstein, when he was at MIT, took a look at these recommendations and made the point that it might cost as much as 2 million jobs in the United States to raise payroll taxes at this sensitive time of recovery.

So, whether or not my good friend from New York is right, that it will cost \$40 billion out of the future income to the trust fund, I think that is a debatable point. If we trigger more unemployment by excessively increasing payroll taxes, where people simply do not hire people because of this massive cost that it now costs on the front end to hire a new employee for a small business that hires most of the people, we may find out we get less money instead of more money.

We need to get people back to work in this country, and I think there are provisions in the bill that will assure the solvency of the trust fund that are built into this legislation with amendments that the Finance Committee has already adopted and that are part of the legislation.

So I think that is the way that we will take care of the solvency of the trust fund.

I urge my colleagues to support the amendment.

I yield back the floor.

The PRESIDING OFFICER. The Senator from Kansas is recognized.

Mr. DOLE. Mr. President, accelerating the OASDI tax rate increases already scheduled under current law is a key part of the financial solvency package put together at such great effort by the National Commission. Dropping this element out of the package now, or modifying it in a significant way, could cause the compromise to unravel.

Everyone knows that this entire bill represents a series of measures that no one is particularly happy about. The virtue of the package, however, is that every group shares somewhat in the burden of preserving social security, and no one pays an extravagant price out of proportion to the others. If the payroll tax acceleration is eliminated, it just means that some other group will have to take a bigger hit to meet our financing targets.

In any event, we are not talking about new taxes: The acceleration provisions generate more revenues to the trust funds simply by moving up the effective date of the payroll tax rate increase schedule for 1985 to 1984, and part of the increase scheduled for 1990 to 1988. This does, of course, raise the payroll tax burden: But it does so in a gradual and predictable way, in conjunction with major benefit restraints such as the 6-month COLA delay and expanding coverage of social security.

While the payroll tax rate accelerations do raise \$40 billion between now and 1990, a significant portion of that

is offset: In 1984 employees will get a dollar-for-dollar credit for the rate acceleration, and employers will be able to deduct the increased employer payroll taxes. So the real impact on employers and employees will be considerably less than the gain to the trust funds.

Mr. JEPSEN. Mr. President, I rise in support of the amendment offered by the distinguished Senator from Colorado, (Mr. ARMSTRONG). His leadership and thoughtful debate on the social security issue has been extremely helpful and appreciated. I believe all Senators owe Senator ARMSTRONG a debt of gratitude for his decision to raise some important issues, despite the controversial nature of some of them.

I have been very concerned about the acceleration of tax increases ever since the Commission indicated that it was seriously considering such a proposal. My colleagues will remember that it was not too long ago that social security taxes were raised, constituting the largest single peacetime tax increase in our Nation's history.

Mr. President, whoever said that if you want to get less of something, tax it, surely had the social security tax in mind when the statement was made. If it is the Senate's intention to retard the recovery, stifle employment, and increase the unemployment rolls, then Senators should support the acceleration of the tax rates for social security for surely this will be the result.

Social security taxes are a tax on work. If you work, you pay the tax. Employers pay the tax and employees pay the tax. Consequently, raising the tax increases the cost of having employees.

In addition, because of the fall-safe provisions in the bill, repeal of the tax increases would not increase the likelihood that social security would be in serious financial difficulty in the latter part of this decade. Some adjustments in the cost-of-living adjustments might be necessary, but even then, those at the lowest end of the income scale would not be affected.

I urge my colleagues to join the Senator from Colorado in his efforts. Otherwise, the economic recovery we are all hoping for might never occur.

Mr. MATTINGLY. Mr. President, I rise to support and cosponsor the amendment offered by the Senator from Colorado (Mr. ARMSTRONG). This amendment will simply strip from the proposal the accelerated payroll tax increases, one of the most onerous provisions of the social security package.

I support the Armstrong amendment for a number of reasons. First of all, higher payroll taxes will mean fewer jobs. Second, higher payroll taxes are not fair, because employer and employee contributions are already so high that the average worker is now paying more in social security taxes than in Federal income taxes. Finally,

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raising payroll taxes on workers means reducing the real income of those whose income has barely kept pace with rising prices. I urge my colleagues to support the amendment offered by the distinguished Senator from Colorado.

Mr. DOLE. Mr. President, did the Senator from Colorado ask for the yeas and nays?

Mr. ARMSTRONG. I have not, but I am glad to ask for them now. I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. DOLE. Mr. President, I shall just take a minute.

If we want a social security package then this amendment has to be defeated.

I do not quarrel with the Senator from Colorado. This is one of the many unpleasant parts of the package.

We have Federal employees circling the Capitol. They do not want to be into the program. We have people who do not want the COLA delay and some who do not want the acceleration of taxes. These are not new taxes but acceleration of existing provisions.

The Senator from Colorado made an outstanding contribution to the Commission. We made a number of changes in our bill through the efforts of the distinguished Senator from Colorado who is not only a member of the Commission but chairman of the Social Security Subcommittee. I would like to know how the Senator would offset the revenue loss of \$40 or \$42 billion?

Is that a part of the package you are offering?

Mr. ARMSTRONG. Mr. President, if the Senator will yield to me, the information furnished my office indicates that it would be something less than that, but not to quibble over the amount, the Senator knows there is a provision which the Senator from Idaho has referred to in the bill which in effect tailors the cost-of-living adjustments in the future to available revenues.

Now, again, to explore the justice of it, we are projecting at the present time benefit increase cost-of-living adjustment of \$259 billion between now and the end of the decade as a result of COLA's. The Commission plan will have a delay savings of only \$39 billion.

It is the expectation of my amendment that in the event that the \$39 billion in revenue which would be lost as a result of this amendment puts the trust fund in a position where it could not fully meet the COLA the other provision of the bill adopted by the Finance Committee would simply scale back very modestly future COLA increases.

Of course, I recall, as do other Senators, that we have included a hold-harmless provision for those at the lower benefit levels which is by the

way one of the most important provisions of the bill so if some additional COLA restraints were required it would be applied only to those who were the best able to withstand such restraint.

Again I point out to the Senator from Kansas and others social security benefits have gone up nearly twice as fast as have the wages and salaries on which payroll taxes are based and at about 50 percent faster than the cost of living.

So if the result were to be some COLA restraint, and I hope it is not, but if it is that would not be unjust or bad policy, in my opinion.

Mr. DOLE. Mr. President, for the reasons stated, I do not quarrel with the Senator. If we could have a perfect package and if he or the Senator from Idaho or someone else could have written the package, we might have avoided any acceleration of taxes, but as a practical matter that does not happen. We did the best we could. The package came out of our committee by a vote of 18 to 1 with this provision. I hope the amendment will be rejected.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Colorado.

On this question the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. STEVENS. I announce that the Senator from Alabama (Mr. DENTON), and the Senator from Illinois (Mr. PERCY) are necessarily absent.

I further announce that, if present and voting, the Senator from Alabama (Mr. DENTON) would vote "yea".

Mr. CRANSTON. I announce that the Senator from Missouri (Mr. EAGLETON), the Senator from Kentucky (Mr. HUDDLESTON), the Senator from Maryland (Mr. SARBAKES), and the Senator from Ohio (Mr. GLENN) are necessarily absent.

The PRESIDING OFFICER. Are there any other Senators in the Chamber wishing to vote?

The result was announced—yeas 27, nays 67, as follows:

[Rollcall Vote No. 41 Leg.]

YEAS—27

Armstrong	Heflin	McClure
Boren	Helms	Melcher
Boschwitz	Hollings	Nickles
Cochran	Humphrey	Num
East	Jepsen	Quayle
Garn	Johnston	Roth
Goldwater	Kassebaum	Symans
Hatch	Kasten	Tribble
Hawkins	Mattingly	Zorinsky

NAYS—67

Abdnor	Cranston	Hatfield
Andrews	D'Amato	Hecht
Baker	Danforth	Heinz
Baucus	DeConcini	Inouye
Bentsen	Dixon	Jackson
Biden	Dodd	Kennedy
Bingaman	Dole	Lautenberg
Bradley	Domenici	Laxalt
Bumpers	Durenberger	Leahy
Burdick	Exon	Levin
Byrd	Ford	Long
Chafee	Gorton	Lugar
Chiles	Gramley	Mathias
Cohen	Hart	Matsunaga

Metzenbaum
Mitchell
Moynihan
Murkowski
Pleckwood
Pell
Pressler
Proxmire
Pryor

Randolph
Riegle
Rudman
Sasser
Simpson
Specter
Stafford
Stennis
Stevens

Thurmond
Tower
Tsongas
Wallup
Warner
Weicker
Wilson

NOT VOTING—8

Denton
Eagleton

Glenn
Huddleston

Percy
Sarbanes

So Mr. ARMSTRONG's amendment (UP No. 108) was rejected.

Mr. MOYNIHAN. Mr. President, I move to reconsider the vote by which the amendment was rejected.

Mr. DOLE. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. ARMSTRONG. Mr. President, I ask unanimous consent that the following Senators be added as cosponsors to my last amendment: Senator HUMPHREY, Senator JEPSEN, and Senator HELMS.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. Mr. President, we are moving along rapidly. It is going to take some time, but we are making steady progress.

There is not any set order, but there are Senators who have been waiting 1 day or 2 days, such as Senator HUMPHREY, Senator HAWKINS, Senator BAUCUS, Senator QUAYLE with one amendment which I believe we can agree to, an amendment by Senator MATSUNAGA, and an amendment by Senator LEVIN.

I am not certain, but I think we can have a vote about every 15 or 20 minutes, hopefully.

Mr. HUMPHREY. Mr. President, will the Senator yield?

Mr. DOLE. I yield.

Mr. HUMPHREY. Mr. President, this Senator would agree to a time agreement of 10 minutes on each side on each amendment and then have an up or down vote, with no point of order being raised against either amendment.

Mr. LONG. I object.

The PRESIDING OFFICER. Objection is heard.

Mr. LONG. Will the Senator yield? I would like to explain my position.

Mr. HUMPHREY. I yield.

Mr. LONG. I do not want to agree to a time agreement until we have a chance to check with our minority leader (Mr. BYRD). I personally have no objection to a time agreement.

The PRESIDING OFFICER. The Senator from Florida.

UP AMENDMENT NO. 109

(Purpose: To move up two years the phase-out of the earnings limitation for beneficiaries who have attained retirement age)

Mrs. HAWKINS. Mr. President, I send an unprinted amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

March 22, 1983

CONGRESSIONAL RECORD — SENATE

S 3611

The bill clerk read as follows:

The Senator from Florida (Mrs. HAWKINS), for herself, Mr. ADDOR, Mr. ARMSTRONG, Mr. D'AMATO, Mr. DeCONCINI, Mr. GARN, Mr. HECHT, Mr. JEPSEN, Mr. NICKLES, Mr. SYMMS, and Mr. THURMOND, proposes an unprinted amendment numbered 109.

Mrs. HAWKINS. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 44, beginning with line 14, strike out through line 6 on page 45 and insert in lieu thereof the following:

"(I) \$250 for each month in any taxable year ending after 1987 and before 1988;

"(II) \$500 for each month in any taxable year ending after 1988 and before 1990;

"(III) \$750 for each month in any taxable year ending after 1989, and before 1991;

"(IV) \$1,000 for each month in any taxable year ending after 1990 and before 1992; and

"(V) \$1,250 for each month in any taxable year ending after 1991 and before 1993."

On page 45, line 3, strike out "1994" and insert in lieu thereof "1993".

Mrs. HAWKINS. Mr. President, under the legislation before us today significant steps are recommended to resolve the shortrun and longrun problems facing the OASDI trust funds. However, there is one problem left unresolved that we can help correct today. The problem is age discrimination. Under the bill, anyone between 65 and 70 who chooses to start drawing social security is forced by the Federal Government to make the unfair irrevocable concession never to work again full time.

Current law sets a limit now equal to \$6,600 as the maximum amount a social security recipient can earn in wages or salary annually without penalty. In Florida, the average per capita income is \$7,200, just a little above the limit. Above the limit, social security checks are reduced by \$1 for every \$2 earned. This direct penalty alone has the same impact as a 50-percent tax on wages earned above the limit. If you earn \$2,200 above the limit, then you will have only \$1,000 left after your social security check is reduced.

However, the direct penalty is only a part of the disincentives thrown in the way of those wishing to work again. Right now, social security is not taxed, but wages and salary are. Thus, gaining \$2,000 in wages and losing \$1,000 in social security is not the same thing to the tax men as receiving an extra \$1,000. They treat it as receiving an extra \$2,000. That means \$140 is removed for social security taxes and at least another \$200 is taken for Federal income taxes, probably a lot more. Finally, most States, also have income taxes. Most municipalities and counties do, too. So, take out another \$60. When the smoke clears, the net amount received for earning that \$2,000 is only \$600. That is equivalent to a 70-percent tax rate.

The example I have just given is not one covering a wealthy individual. It is

for someone in the lowest tax bracket, someone receiving \$4,000 in social security and earning \$7,000 in wages for example. They probably also qualify for food stamps.

Equivalent tax rates for earning more than the limit are, therefore, even higher than 70 percent for most people caught in this vicious trap. It can even exceed 100 percent. Under current law, it is possible for a senior citizen to receive a bill instead of a check for earning more than the arbitrary limit. Now, how many people are there that will work knowing that the more they do, the worse off they will be?

Even millionaires get a better deal from the Government. They have to face at most a 50-percent tax rate. Uncle Sam lets them keep at least 50 percent of however much they choose to earn. It is probably a lot higher if they have a tax accountant. Why do we penalize the working old more than we tax the rich? I propose that the earnings limit be raised by \$3,000 for 5 years in a row beginning in 1988 and lifted entirely in 1983.

Thus, the limit would be approximately \$10,000 in 1988, \$13,000 in 1989, \$16,000 in 1990, \$19,000 in 1991, \$22,000 in 1992, with no limit afterward. Assuming inflation remains under control during the 1980's, under my amendment most of the elderly penalized by this misguided policy will be unaffected by it by 1989. Few are likely to earn more than \$13,000 in wages and salary in that year. By comparison, under the bill the earnings cap would equal about only \$7,000, virtually unchanged from today.

Frankly, in my mind the largest criticism that can be made against my amendment is that it is too cautious. Immediate repeal of the earnings penalty is affordable if one believes the persuasive evidence piling up that economic recovery has begun. That evidence suggests that the II-B forecast is too pessimistic and alternative III represents the pathway anticipated by those who believe the end of the Earth is near.

Consider the unemployment figures used. Under II-B, the unemployment rate for 1983 is forecast at 10.7 percent. And under alternative III, the unemployment rate is 11 percent. Under the old way of calculating unemployment, the rate is already 10.4 percent. Under the new way, it is 10.2 percent. Both are well below the averages used for devising the II-B and III forecasts, and the recovery is just beginning.

Consider the economic growth rates assumed. The II-B projection assumes the economy grows in real terms by only 1.4 percent, and the alternative III projection says we will produce less this year than we did last year. Meanwhile, the administration, which by general agreement was considered to be lowballing its economic growth estimates, assumed a growth rate equal to the II-B forecast. Our own Budget

Committee will certainly pick a higher, more realistic number.

Analogous comparisons can be made for other economic variables that are important determinants of OASDI income and outgo. The results of such comparisons are the same.

The II-B forecast is already proving to be too pessimistic, and the alternative III projection implausible. Which, come to think of it, is just what we should expect. The Social Security Administration actuaries make four forecasts. Alternative I is optimistic. Alternative II-A is somewhat optimistic. Alternative II-B is somewhat pessimistic. And alternative III is pessimistic. That means if the actuaries were to make only one forecast, take their best shot, so to speak, they would use assumptions more optimistic than those used in II-B but less optimistic than those used in II-A.

That best guess would permit immediate repeal of the earnings test, as the House voted to do in 1977.

The arbitrariness of any earnings penalty law is even more obvious when one considers that it does not apply if you are older than 70. Why 70? Someone who is 71, 81, or even 91 can earn all they want without penalty. But if you are between the ages of 65 and 70, you have to pay the price. Where is the fairness or logic behind such distinctions?

Frankly, any penalty for working if you are over 65 is inconsistent with raising the retirement age as recommended under the bill before us. You cannot, without being inconsistent, claim that life expectancy has grown, so people should work longer, and then support penalizing working after you turn 65.

The earnings penalty, in addition to being unfair, arbitrary, and inconsistent, also contradicts the firmly held belief that social security payments are an earned right. The public thinks social security is just like a private pension plan or an annuity contract. You pay in for a number of years and at an agreed upon age, you start drawing the benefits you contracted for. After you pay in, you receive. That is the deal, with no strings attached. In fact, if private plans included provisions stating that pension benefits or annuity payments stopped or were reduced when you went back to work, Congress would pass a law outlawing them. However, maybe we would not have to. Who would buy such a poor plan?

Mr. President, the earnings penalty did not become law by accident. It passed during a time when Congress felt it best that those who retired should stay retired, making room for the young to take their jobs. However, how many people feel that way today? Would not our ability to improve the math and science skills of our young be improved if we could entice some of our best retired teachers to come back, full time or part time?

S 3612

CONGRESSIONAL RECORD — SENATE

March 22, 1983

The President asked in his state of the Union address for retired teachers to come forward and teach our children math and science. They certainly will not if they get a bill instead of a check for coming back to the working place.

For many elderly, the decision to return to work is not voluntary. They do not return to work out of choice but out of necessity. Many people who retire quickly feel the financial pinch of living on a fixed income when the prices of life supports are rising faster than the inflation rate. Consider these figures. The cost of electricity has gone up 60 percent faster than the CPI over the last 5 years. The cost of housing and heating your home has gone up 12 percent faster. Cost of food has risen 7 percent faster. Bus fare has gone up 50 percent faster. And gasoline has gone up at twice the rate of the CPI. Telephone rates for local calls are expected to go up three times within 3 years. Water and sewer providers are asking for large increases all over the country.

What happens when the elderly get their electricity turned off when they do not pay their electricity bill? I will tell you what happens. They have to pay twice their monthly consumption in cash. Utility companies will not take a check once you have been cut off for missing a payment.

Should we penalize these people for deciding they cannot afford to retire after all? Instead, they have to keep working just to pay for a minuscule roof over their heads, or to make a telephone call since someone is breaking in their front door, or to have water come out of the faucets in the house they have lived in for 45 years while their property taxes have tripled in less than 5 years?

How about penalizing those who incur enormous medical bills when their spouses suffer from a catastrophic illness that medicare does not cover? The average person who is on medicare has to come up with \$721 a person annually just to cover the charges for their health costs that are not covered in medicare. Or how about penalizing someone who gets swindled out of their life savings? You can pick up the paper daily in Florida and read of someone who just gave \$10,000 or \$15,000 of their life savings on some flimflam game that went on in a back parking lot. With a little imagination, I am sure my colleagues will come up with some other examples.

The point is simple. Most people want to retire as soon as possible. They look forward eagerly to the day when they can afford to do so. Unfortunately, inflation or a serious financial mishap forces some of them back into a job. We should not make the last years of their lives such a hardship by what we do in Congress.

I suspect it was for some of the reasons I have outlined today that the administration proposed phasing out the earnings penalty in 1983 when they

sent a plan to do so to Congress in May 1981. I commend the Finance Committee for agreeing to eliminate the earnings penalty in 1995 as proposed by this bill.

However, I believe we can do better than wait until 1995. While there are a variety of ways to accelerate the elimination of the penalty, I believe the least controversial way is to increase the 5-year phaseout schedule recommended by the Finance Committee by 2 years. Instead of phasing out the penalty over 5 years beginning in 1990, I propose starting in 1988.

There should be no question we can afford my amendment if we believe the charts we have been shown and the study we have read prepared by the Social Security Administration. Starting in 1988 under virtually any conceivable economic conditions, OASDI will run a string of annual surpluses well into the 21st century. At year end in 1988, OASDI under the moderately pessimistic II-B forecast will have a checkbook balance of \$57 billion according to the Social Security Administration. In 1989, the balance will grow to \$89 billion. And the 1990's will be even better; positive cash flow is expected to exceed \$400 billion in that decade alone. If the doom and gloom III forecast is used, then the 1988 and 1989 year-end figures are \$13 billion and \$23 billion. However, even under alternative III, OASDI will start to run annual surpluses in 1988, the year I propose to phase out the earnings test. And they will continue throughout the 1990's and beyond. By comparison, my amendment costs OASDI \$800 million in 1988 and \$1.3 billion in 1990. That means it costs less than 1 percent of 1 percent of taxable payroll. Even this modest amount is an overstatement if you believe the studies that were presented before comprehensive hearings held by the House Subcommittee on Retirement Income and Employment, during the 96th Congress, 1980.

The studies showed that if the limit were removed people would go back to work, and thereby return up to 85 percent of the cost for repealing the test in the form higher income and social security taxes. This administration campaigned as did many Senators—that together we were going to reward work, and now we have said we are going to penalize you if you are between 65 and 70 and choose to do so. Someday soon, perhaps sooner than we think, for this reason many of us will be called upon to answer why we did not fight to eliminate immediately, instead of starting in 1988 age discrimination against the elderly forced for financial reasons back to work. I wonder how persuasive our answer will be that we decided to look away and wait until 1995 before justice was done.

Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. DOLE addressed the Chair.

The PRESIDING OFFICER. The Senator from Kansas is recognized.

Mr. DOLE. Mr. President, I thank the distinguished Senator from Florida for offering the amendment. I only wish we could accept it. And I only wish I was as optimistic as even the assumptions cited by the distinguished Senator from Florida. But I think we have to be realistic. This is going to take about \$2.3 billion out of the trust fund. When we were finally trying to put all this together in the Senate Finance Committee, we ended up with about four areas we wanted to address, and one was the area just addressed by the Senator from Florida. The other was the so-called bend points, another was increasing the retirement age to 66, and the other was the day care, child care credit just discussed by the distinguished Senator from Colorado (Mr. ARMSTRONG).

Now, it is not that we did not want to do more. It is that we had certain guidelines to follow, and it seemed to us that we had gone about as far as we could go with reference to this particular issue.

We do begin the phaseout in 1990. I would like it to begin immediately. In fact, the Senator from Kansas coauthored, with the Senator from Arizona, the earlier action in this area. I am not certain what year it was now but it was 4 or 5 years ago.

Under the committee bill, the retirement earnings test for people 65 and older will be phased out between 1990 and 1995. Each year the exempt amount of earnings would rise by \$3,000 and the test would be completely eliminated in 1995. The phaseout of the retirement test is an important change in social security that I have long endorsed. Under present law there are strong disincentives for older Americans to continue to work. The problem with phasing out the test and, indeed, the problem with this amendment is that it costs money. I must say that a lot of amendments are going to be coming up now. They all cost money. And we are hanging on by a thread. We are trying to keep the package intact and everybody is coming along now with an amendment that is \$500 million or \$700 million or \$2.3 billion.

That may not seem like a lot in the social security package, but we have to raise about \$165 billion between now and 1990, and every billion dollars we lose, or \$2.3 billion we lose out of the trust fund must be made up somewhere else. We just had an amendment that would have given \$40 billion out of the trust fund.

Mr. MOYNIHAN. Mr. President, may we have order. The manager of the legislation is speaking.

March 22, 1983

CONGRESSIONAL RECORD — SENATE

S 3613

Mr. DOLE. I thank the Senator from New York.

I really believe that if in fact we are going to have these big surpluses, and Congress is going to meet in 1984, 1985, 1986, and 1987, then it would certainly be appropriate for the Senator from Florida to offer the amendment and I would join her in that amendment, assuming we are both here in 1987 or whenever that time comes.

Mr. President, we have thought about taking the amendment. We tried to find out some way we could squeeze it into the package, but it seems to me that finally the bottom line is: Can we take it? Do we have the money to take it? The answer is no. Therefore, I would hope we would reject the amendment.

Mr. LEVIN. Mr. President, I reluctantly vote against the amendment offered by the Senator from Florida to accelerate the phaseout of the earnings limitation on social security recipients. Under current law, this limitation is \$8,600. Income earned above this amount results in social security benefits being reduced by \$1 for every \$2 that are earned.

The committee has proposed phasing this limitation out by 1995. The amendment being offered would phase it out by 1993. I believe that we should phase out or raise the earnings limitations so it is at least high enough to allow an individual to earn an income which can supplement their social security benefits, and, thereby provide the necessities of life. But early total removal of the limitations may weaken the solvency of the system.

While I can support the phaseout by 1995 it has been carefully crafted to avoid any additional reduction of social security benefits to pay for it.

We had best leave it that way.

Mr. MOYNIHAN addressed the Chair.

The PRESIDING OFFICER. The Senator from New York is recognized.

Mr. MOYNIHAN. Mr. President, there is nothing I would add to the remarks of the distinguished Senator from Kansas except our appreciation to the Senator from Florida for drawing the attention of the Senate to the fact that it may well be, if fortune smiles, that we could afford this toward the end of the decade. We do not think we can.

As time goes by, if it turns out we can, the amendment can be offered and, as the Senator from Kansas said, he will support it, and I will support it. But for the moment we have very little leeway in this legislation, and a billion here and a billion there, as somebody once said in this Chamber, and pretty soon you are talking about real money. And it is real money we are trying to raise. I would ask Senators on both sides if they could stay with the Finance Committee's measure in this regard. It is made up of small items. If we start taking small items out, we do not know where we will be.

Mr. BAKER addressed the Chair. The PRESIDING OFFICER. The majority leader is recognized.

Mr. BAKER. Mr. President, I hope the Senator from Florida and the managers of the bill will let me intervene just for a moment to bring in the conference report on the jobs bill.

Before I do that, however, may I say that I do not intend to call up the conference report now. However, after the Hawkins amendment is disposed of, it is my intention to ask the Senate to turn to the consideration of this measure.

Mr. President, once again, after the Hawkins amendment is dealt with, it is the intention of the leadership to ask the Senate to turn to the consideration of the conference report, which is privileged. It is hoped that it will not take an unduly long time to finish consideration of this measure, and then we will return to the social security package.

I express, once again, our hope that we can finish both the conference report and the social security package tonight.

Mr. President, I yield the floor.

MESSAGE FROM THE HOUSE

At 7:56 p.m., a message from the House of Representatives, delivered by Mr. Gregory, one of its reading clerks, announced that the House agrees to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 1718) making appropriations to provide emergency expenditures to meet neglected urgent needs, to protect and add to the national wealth, resulting in not make-work but productive jobs for women and men and to help provide for the indigent and homeless, and for other purposes; it recedes from its disagreement to the amendments of the Senate numbered 10, 12, 19, 26, 44, 54, 60, 74, 75, 77, 81, and 83 to the bill, and has agreed thereto; it recedes from its disagreement to the amendments of the Senate numbered 1, 2, 9, 16, 21, 22, 27, 28, 64, 71, 76, 79, 88, 89, 90, 91, 92, 97, and 98 to the bill, and has agreed thereto, each with an amendment, in which it requests the concurrence of the Senate, and it insists upon its disagreement to the amendment of the Senate numbered 82 to the bill.

The message also announced that the House has passed the following bill, without amendment:

S. 366. An act to settle certain claims of the Mashantucket Pequot Indians.

The message further announced that pursuant to the provisions of section 1, Public Law 86-420, as amended, the Speaker appoints as members of the U.S. Delegation of the Mexico-United States Interparliamentary Group for the 1st session of the 98th Congress the following Members on the part of the House: Mr. DE LA GARZA, chairman, Mr. YATRON, vice chairman, Mr. KAZEN, Mr. SKELTON,

Mr. KOGOVSEK, Mr. ALEXANDER, Mr. BARNES, Mr. LAGOMARSINO, Mr. RUDD, Mr. GOODLING, Mr. DREIER of California, and Mr. BEREKHA.

APPOINTMENT BY THE VICE PRESIDENT

The PRESIDING OFFICER. The Chair, on behalf of the Vice President, in accordance with 22 U.S.C. 1928(a)-1928(b), as amended, appoints the Senator from Delaware (Mr. BIDEN) vice chairman of the Senate delegation to the North Atlantic Assembly during the 98th Congress, the Senator from Rhode Island (Mr. PELL), resigning.

SOCIAL SECURITY ACT AMENDMENTS OF 1983

The Senate continued with the consideration of the bill.

The PRESIDING OFFICER. The question is on the amendment. The yeas and nays have been ordered. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. STEVENS. I announce that the Senator from Alabama (Mr. DENTON), the Senator from Minnesota (Mr. DURBINERGER), the Senator from Arizona (Mr. GOLDWATER), and the Senator from Illinois (Mr. PERCY) are necessarily absent.

I further announce that, if present and voting, the Senator from Alabama (Mr. DENTON) would vote "nay."

Mr. CRANSTON. I announce that the Senator from Texas (Mr. BENTSEN), the Senator from Kentucky (Mr. HUDDLESTON), the Senator from Maryland (Mr. SARAHANES) are necessarily absent.

The PRESIDING OFFICER. Are there any other Senators in the Chamber who desire to vote?

The result was announced—yeas 44, nays 49, as follows:

[Rollcall vote No. 42 Leg.]

YEAS—44

Abdnor	Glenn	Mitchell
Armstrong	Hatch	Nickles
Biden	Hawkins	Nunn
Bingaman	Hecht	Pell
Boren	Heflin	Pressler
Boschwitz	Helms	Pryor
Burdick	Hollings	Quayle
Byrd	Humphrey	Randolph
Chiles	Jepsen	Riegle
Cohen	Kasten	Symms
D'Amato	Leahy	Thurmond
DeConcini	Mathias	Tribble
East	Mattingly	Warner
Ford	McClure	Zorinsky
Garn	Melcher	

NAYS—49

Andrews	Hart	Packwood
Baker	Hatfield	Proxmire
Baucus	Heinz	Roth
Bradley	Inouye	Rudman
Bumpers	Jackson	Sasser
Chafee	Johnston	Simpson
Cochran	Kassebaum	Specter
Cranston	Kennedy	Stafford
Danforth	Lautenberg	Stennis
Dixon	Laxalt	Stevens
Dodd	Levin	Tower
Dole	Long	Tsangas
Domenici	Lugar	Wallop
Eagleton	Matsunaga	Weicker
Exon	Metzenbaum	Wilson
Gorton	Moynihan	
Grassley	Murkowski	

S 3614

CONGRESSIONAL RECORD — SENATE

March 22, 1983

NOT VOTING—7

Bentsen	Goldwater	Sarbanes
Denton	Huddleston	
Durenberger	Percy	

So Mrs. Hawkins' amendment (UP No. 109) was rejected.

Mr. DOLE. Mr. President, I move to reconsider the vote by which the amendment was rejected.

Mr. MOYNIHAN. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. BAKER. Mr. President, I indicated earlier that as soon as we finished this vote we would go to the conference report. The chairman of the committee, the manager of the conference report on this side, needs a little more time to examine the nature of an amendment sent to us on one of the items in disagreement with the House.

I understand Senator DOLE and Senator QUAYLE are prepared to proceed now on another amendment to the social security package which will not require a rollcall vote. I hope the managers will agree to do that while I consult with the chairman of the Appropriations Committee and arrange for us to proceed to the conference report.

UP AMENDMENT NO. 110, AS MODIFIED

(Purpose: To allow dislocated workers to withdraw contributions to IRA's)

Mr. QUAYLE. Mr. President, I send an amendment to the desk.

The PRESIDING OFFICER. The clerk will report.

The bill clerk read as follows:

The Senator from Indiana (Mr. QUAYLE) proposes an unprinted amendment numbered 110.

Mr. QUAYLE. Mr. President, I ask unanimous consent to withdraw that amendment and submit this amendment, which is a revised amendment, in accordance with an agreement that has been worked out.

The PRESIDING OFFICER. The amendment is so modified. The clerk will report.

The bill clerk read as follows:

The Senator from Indiana (Mr. QUAYLE) proposes an unprinted amendment numbered 110, as modified.

Mr. QUAYLE. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment, as modified, is as follows:

At the end of title IV add the following new section:

SPECIAL PROVISIONS FOR DISLOCATED WORKERS WITH RESPECT TO INDIVIDUAL RETIREMENT ACCOUNTS

SEC. 423. (a) Notwithstanding any other provision of the Internal Revenue Code of 1954, a dislocated worker having documentation issued by the Secretary under this section, may withdraw contributions to, and interest on, an individual retirement account established in accordance with the provisions of section 408 of the Internal Revenue Code of 1954, without incurring the tax penalty under section 408(f) of the Internal Revenue Code of 1954.

(b) For purposes of subsection (a), an individual is a dislocated worker if such individual—

(1) has at least twenty quarters of coverage under title II of the Social Security Act; and

(2) has received regular unemployment compensation under State law within the preceding 12-month period, and has exhausted all rights to such compensation in his most recent benefit year.

(c) The Secretary shall provide for the issuance of documentation to individuals identified as dislocated workers.

Mr. QUAYLE. Mr. President, I am sending to the desk an amendment which will permit the long-term unemployed to withdraw their contributions to individual retirement accounts without incurring a tax penalty.

We all know that this Nation faces a large problem of workers who have been and who will continue to be permanently dislocated from their current employment. These workers must gain new skills before they can reenter the productive mainstream of the American economy. It seems to me just a matter of commonsense to let workers withdraw their IRA contributions without penalty when they are faced with the need to make a fundamental change in their working career. There is no sense in having funds locked up in a long-term savings account when the workers' needs are immediate and now. IRA withdrawals are already permitted for the handicapped. This amendment permits withdrawals for those who have, in fact, been handicapped by the changes in our economy.

Mr. President, this amendment is very direct and very simple. It involves the individual retirement accounts and forbears the tax penalty for withdrawal to those who are dislocated workers.

This amendment, I am pleased to report, does have the support of the Treasury. It has been slightly modified, I might point out, from the version that was printed in the RECORD on March 16 in order to achieve a greater administrative simplicity.

Basically what it does is just to allow a withdrawal without penalty from an IRA account for those people who are dislocated workers and seeking employment.

Mr. DOLE. Mr. President, I understand from the Senator from Indiana that the Treasury does support this amendment. As I understand what it permits is if somebody is dislocated they can—it is similar to the situation with respect to the disabled. They can withdraw from the IRA without penalty. Is that the essence of the amendment?

Mr. QUAYLE. That is the essence. That is correct.

Mr. DOLE. Does the Senator have a revenue cost estimate?

Mr. QUAYLE. Obviously in fiscal year 1983 there will not be any because they would not be paying the penalty until the following year, so any kind of revenue loss would not be in fiscal 1983 but in fiscal 1984.

Mr. DOLE. Has the Senator talked to the distinguished Senator from Louisiana about this amendment?

Mr. QUAYLE. We have had from the minority side for a considerable amount of time no opposition. This is really not a noncontroversial amendment. I am going to get to one. So it has been over there with the Senator's staff for clearance, and we have had no objection to it.

Mr. PRYOR. Mr. President, I might say to the distinguished Senator from Indiana, I was filling in for the Senator from Louisiana (Mr. LONG). I wonder if we could have an accommodation until he gives his acceptance or possible disapproval of this, and so I wonder if we might lay this aside temporarily until the Senator from Louisiana returns?

Mr. DOLE. I think that is a good suggestion. I wonder if we might not temporarily set this aside until we check with Senator LONG.

You have an amendment that has been cleared with Senator LONG, the one you discussed with him?

Mr. QUAYLE. I have discussed the voucher amendment with Senator LONG, I have not yet had clearance with him. I thought I would wait for clearance.

I was under the impression there would not be any problem with two of the amendments, but I would be glad to accommodate the minority on this. It has been printed in the RECORD, it has been well established for a couple of days, and I have heard no objection. As a matter of fact, one day we had accommodations we had made in response to a number of people who have seen this and commented on it.

Again, it is just foregoing a penalty on withdrawal from IRA accounts of dislocated workers. I can hardly imagine that that is going to be a hugely controversial issue. We are talking about the Federal supplemental compensation authorization and unemployment compensation. This would certainly be a way, without having any drain on the Treasury, to provide some comfort for people that are dislocated and find themselves in a very unfortunate circumstance.

I will be very surprised if, in fact, there is any opposition. But I would be willing to accommodate the minority in any fashion that the manager of the bill sees fit.

Mr. PRYOR. Mr. President, once again, in regard to the amendment of the Senator from Indiana, I certainly cannot speak for our side on this particular issue. I would like to ask, respectfully, if the Senator from Indiana would temporarily set aside the amendment until our side has had an opportunity to examine the amendment.

Mr. QUAYLE. Mr. President, I ask unanimous consent that this amendment be temporarily set aside.

The PRESIDING OFFICER. Without objection, it is so ordered.

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UP AMENDMENT NO. 111

(Purpose: To provide that FSC shall not be denied to an individual in training)

Mr. QUAYLE. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

On page 234, after line 23, insert the following:

TRAINING

Sec. 404. Section 602 of the Federal Supplemental Compensation Act of 1982 is amended by adding at the end thereof the following new subsection:

"(g) The payment of Federal supplemental compensation shall not be denied to any recipient (who submits documentation prescribed by the Secretary) for any week because the recipient is in training or attending an accredited educational institution on a substantially full-time basis, or because of the application of State law to any such recipient relating to the availability for work, the active search for work, or the refusal to accept work on account of such training or attendance, unless the State agency determines that such training or attendance will not improve the opportunities for employment of the recipient."

Mr. QUAYLE. Mr. President, this amendment deals with the Federal supplemental compensation benefits and allows a different procedure for whether an individual may be available for work.

Under present law, these beneficiaries are disqualified from benefits unless their retraining has been previously approved by the State employment security agency. As a matter of record, these agencies have rarely approved training courses unless the agency has itself arranged for the training.

Under my amendment beneficiaries would not be disqualified from benefits if they took training unless the State agency determined that the training would not improve the beneficiary's prospect of employment.

So we are reversing the process on determining whether an individual would be available for work. The emphasis is to try to get individuals to seek training instead of waiting.

At the request of the Department of Labor, I have included some modifications from my original amendment in order to prevent potential misuse of this provision. First, I have provided that the beneficiary, the person receiving unemployment compensation, must submit appropriate documentation, as will be prescribed by the Secretary, concerning his retraining so that the State agency will have adequate evidence on which to base its determination. Second, I have made the provision applicable only to retraining that is taken on a substantially full-time basis to prevent the possibility of someone being excluded from job search requirements just because he is taking training for 1 hour a week.

With these modifications, I understand that this amendment will be acceptable. Let me summarize. What we

are doing is putting the burden on the employment security agency to determine that he is not receiving or she is not receiving adequate training. Right now the procedure is very cumbersome. Individuals find it very difficult at times, because of the administrative hurdles placed before them, to get certified that they are trying to receive training to enhance one's skills and, therefore, enhance one's employability.

I believe this amendment certainly is a step in the right direction. The employment security agency sees that the individuals are taking advantage of it or they do not provide proper certification, then, in fact, they would not be available for work and, therefore, they could not go ahead and seek this training.

Mr. President, I just want to emphasize one point. This amendment goes to what is going to be the second phase of the jobs bill. Later on tonight we are going to be debating the jobs bill. A number of people that supported that, including the Senator from Indiana, did that because it is a short-term solution. It is not a long-term solution. The Federal unemployment compensation is in there. It is a matter of dire necessity for every State, including my own, that we pass that.

But, beyond that, the real jobs legislation is not, first of all, going to mean economic recovery. Second, and this is the challenge that we have, how are we going to train and retrain our surplus labor in this country? How are we going to take those individuals that have been dislocated and displaced and match them up with future jobs? How are we going to take somebody that has been employed for a number of years and develop new skills and, therefore, new opportunities?

What this amendment does is to say: "Look, what we are going to do is encourage training and we are not going to deny benefits to somebody that is seeking proper training and trying to get ahead in life and to move a step forward."

It is not going to be open-ended because there is going to have to be certification. Just like under the GI program, certain certifications that if you were taking courses, to go ahead and you would be eligible for the GI program. This is the same requirement.

Once the individual shows that he or she is receiving training, then they are going to continue to get those unemployment benefits unless the agency determines that it is not going to enhance their employability.

I imagine, in most cases, they would not make that determination and, therefore, there would be a positive incentive and reward for those people to go out and to have training and there would not be a punitive liability or a disadvantage to those individuals where they would say, "Oh, no, you can receive training if you are going to continue to get your unemployment compensation."

Let us face it, if they can go ahead and receive that unemployment compensation and receive that training, they are going to be better off and the Nation is, too. So I hope that there will not be any dissent on this amendment.

It just reverses the present process. It has been printed in the Record. It has been discussed at the staff level. It has the administration's support and it should have the support of the entire Senate.

Mr. DOMENICI. Will the Senator yield for a question?

Mr. QUAYLE. I am glad to yield to my distinguished chairman.

Mr. DOMENICI. Mr. President, first, I wish to compliment the Senator for the amendment. I think it is an excellent one.

Who will make the determination as to whether or not the training or re-training enhances one's employability? Let me tell the Senator why I ask that question. I have a pocket of unemployment attributable to copper mining. I have been down there a couple of times meeting with the working people. They told me that they are attempting to go to school there at the regional university and take the vocational course and that somebody at the State level made the determination that they qualified if they were learning to be a plumber but they did not qualify for unemployment if they were learning to be a carpenter. Will the amendment of the Senator change any burden of proof there?

Mr. QUAYLE. It certainly does. It changes the process, because under the current process your employment security agency sets up all of this criteria and then they have to fall into a certain category.

Under this amendment, the presumption, so to speak—and we will have to wait and see exactly how it will be carried out with the Secretary—the presumption is if they are certified and receive training, they are also certifying that they are going to elevate one's skills. There was a potential abuse we corrected.

Someone would say that maybe they will be able to certify they are only getting 1 hour a week and, therefore, that would not be right. So we put in substantially full-time employment; in other words, it has to be a basically full-time training that they are seeking. Therefore, once the employee or the recipient or beneficiary determines that they are going to enhance their employability, the burden of proof is now on the Department to say, "No, they are not."

Right now the Department can come up with arbitrary standards, as they have done in the Senator's State of New Mexico, and say if you do not do this you do not qualify. It simply reverses the process and reverses the presumption.

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Mr. DOMENICI. I compliment the Senator. I ask him if I may be added as a cosponsor.

Mr. QUAYLE. Mr. President, I ask unanimous consent that the Senator from New Mexico (Mr. DOMENICI) be added as a cosponsor.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOMENICI. I thank the Senator.

Mr. DOLE addressed the Chair.

The PRESIDING OFFICER. The Senator from Kansas.

Mr. DOLE. Mr. President, again, we are waiting for the distinguished Senator from Louisiana (Mr. LONG) to come to the floor so he will have a chance to examine the amendment.

As I understand, the amendment has been modified, but it is still hard to determine that somebody is looking for work if they are in a training program.

I do not have any real objection, but I think it can be tightened up some more and we can do that in conference. However, I would want the distinguished Senator from Louisiana to clear the amendment.

The amendment that troubles me is the one the Senator has not offered yet. The more I heard about it, the less enthusiastic I am about the voucher. I would hope the Senator would not press that amendment. It is the same thing we have had hearings on, or essentially the same thing we have had hearings on, in the Finance Committee.

As I understand, there are still a number of questions to be resolved, and I would hope that we might delay that amendment for another time.

Mr. QUAYLE. Will the Senator yield?

Mr. DOLE. The Senator has not offered the amendment yet, but I understand he may do so. I just want to indicate I have no objection to the first two amendments. I feel after discussing the third amendment and learning more about it, I would prefer not to have to address that at this time.

The Senator is certainly at liberty to offer it.

Mr. QUAYLE. Let me tell the Senator that when we started out with the voucher proposal, there were a lot of people we had been working with who expressed the same concerns as the Senator from Kansas, that maybe we should not be doing that at this particular time, or they had certain questions on the amendment.

After working with particularly a number of people in the administration this past week and this week, the Department of Labor, the Department of the Treasury, and OMB have basically signed off on this amendment and they are now supporting it.

I would hope that we might be able to get the chairman of the Finance Committee, which has jurisdiction over this matter, as well as the Labor and Human Resources Committee, to work this out. Maybe as time goes on the Senator from Kansas might like

this amendment that I would like to offer later on. It does have the support of the administration. I think it is a good amendment. Nobody really knows how these vouchers are going to work.

This is an extension of the Federal supplemental compensation. This is a good place to offer it. There may be some debate on it, and there may be some questions that we could answer. We have taken a considerable amount of time and contacted a lot of people who had a lot of reservations to begin with. We have made a lot of accommodations on it and believe it is really a good amendment.

Mr. DOLE. As I say, I just happened to focus on it, and it may not be fair to the Senator to say that because I have really not had a chance to examine it.

I would hope, as a matter of fact, that the Senator would not offer it at this time and that we would temporarily set aside the other two amendments until the Senator from Louisiana comes to the floor. I do not see any problem with those two.

Mr. QUAYLE. I appreciate the Senator's comments. The other two amendments were definitely not controversial, and this one should not be too controversial. It may become a little controversial as we go on. I will certainly accommodate the chairman on that and work with him. I will also work with the ranking minority member as the evening goes on. We have the jobs legislation to pass yet tonight. Maybe by tomorrow we can get this worked out.

UP AMENDMENT NO. 112

I might say I do have an amendment which I believe has been worked out on all sides on section 1122. What I will do is offer that one, which I believe we have everyone signed off on, and then we can set those three aside as they are noncontroversial. Then when the Senator from Louisiana returns, we can perhaps accept those three en bloc.

Mr. DOLE. Mr. President, will the Senator describe the amendment which has been cleared all the way around?

Mr. QUAYLE. The amendment on section 1122 basically provides that on section 1122 hospital construction of over \$600,000 they simply submit for review to the section 1122 agency or to the State planning agency. My original preference was to have an actual approval of the submission, but that received strong objections from a number of people.

What we are doing is simply submitting it for review.

I think everybody knows there is a tremendous question on health care costs. This issue is one which has been debated before. It is one that will continue to be controversial.

Under this amendment, which I believe has been worked out to the satisfaction of everybody, it is not going to be that noncontroversial. It is going to be simply amending section 1122 to

provide for submission of the construction costs and capital expenditures of hospitals to either the section 1122 agency or the State planning agency.

I believe that amendment has been cleared, from what I have been told. If not, we will have to go back to work a little bit more, or we will just bring it up and debate it later sometime.

Mr. DOLE. The Senator from Kansas certainly has no objection. It may have been cleared at the staff level, but we do have to consult with the distinguished Senator from Louisiana. I do not see any problem at all with the third amendment offered. If it is satisfactory with the Senator, we will set aside the three amendments and take up another noncontroversial amendment by the Senator from Montana.

UP AMENDMENT NO. 112

(Purpose: To make changes in the provisions of section 1122 of the Social Security Act relating to capital expenditures and planning)

Mr. QUAYLE. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER (MR. WILSON). The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Indiana (Mr. QUAYLE) proposes an unprinted amendment numbered 112.

Mr. QUAYLE. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the end of title III add the following new section:

SECTION 1122 AMENDMENTS

SEC. 308. (a) Section 1122(C) of the Social Security Act is amended by striking out "the Federal Hospital Insurance Trust Fund" and inserting "the general fund in the Treasury".

(b) Sections 1122(g) and 1861(z)(2) of such Act are each amended by striking out "\$100,000" and inserting in lieu thereof in each instance "\$600,000".

(c) Section 1122 of such Act is amended by adding at the end thereof the following:

"(j) A capital expenditure made by or on behalf of a health care facility shall not be subject to review pursuant to this section if 75 percent of the patients who can reasonably be expected to use the service with respect to which the capital expenditure is made will be individuals enrolled in an eligible organization as defined in section 1876(b), and if the Secretary determines that such capital expenditure is for services and facilities which are needed by such organization in order to operate efficiently and economically and which are not otherwise readily accessible to such organization."

(c) Section 1861(z)(2) of such Act is amended by inserting "(A)" after "(z)" and by adding at the end thereof the following new subparagraph:

"(B) provides that such plan is submitted to the agency designated under section 1122(b), or if no such agency is designated, to the appropriate health planning agency in the State (but this subparagraph shall

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not apply in the case of a facility exempt from review under section 1122 by reason of section 1122(j))."

(d) The amendments made by this section shall apply only with respect to cost reporting periods beginning prior to October 1, 1986.

Mr. DOLE. Mr. President, I understand this is the amendment which the Senator from Indiana has just explained.

Mr. QUAYLE. Yes, and I have a further statement.

Mr. President, by the administration's own admission, there is a little more that needs to be done with regard to their medicare prospective payment legislation before it can really begin to make a dent on the rising cost of health care.

I believe that the proposed "pass through" for capital expenditures under the prospective payment proposal will stimulate unnecessary capital expenditures and defeat the cost containment objectives of the proposal. We must act carefully if we are to discourage capital expansion that has not demonstrated it is needed.

Medicare prospective payment offers an alternative to our present cost-based system, which has not provided incentives to hospitals to be efficient. Clearly, changes are needed in the way we pay for health care. While moving forward on a prospective payment system for hospitals is a step in the right direction, we should not take that step without attempting to link prospective payment systems with systems for restraining unnecessary capital expenditures.

As long as capital expenditures are passed through, there is the potential for the pass-through becoming a flood. Passing through capital costs will continue to inflate hospital costs because new capital expenditures will result in increased supply, utilization and cost. It is known that for every dollar invested in capital, it generates a 30-cent increase per annum in operating costs.

Not only does the current proposal allow for the unrestrained flow-thru of capital costs, it in fact will stimulate an already expensive component of health care cost escalation by encouraging hospitals to make new capital expenditures as quickly as possible. The administration is quite clear in stating that capital costs will eventually be included in prospective rates. Combined with the current pass through, it is an open invitation to invest now and build up a base of reimbursable debt before limits are placed on capital costs.

While I strongly support and recognize legitimate needs for capital expenditures, I also believe that a system which passes through new costs without checks and balances will pay for unneeded capital growth in the future. At a time in our Nation when funds are scarce, and in an industry that is volatile in its inflationary spiral, new capital expenditures should not be paid unless they have been carefully reviewed by the State to determine

the need for, and affordability of, the proposed expenditures.

For this reason, I intend to offer an amendment to that portion of the social security bill that addresses the medicare prospective payment proposal.

My amendment will do several things: It will require hospitals to submit their 3-year capital expenditure plan to either a designated State planning or section 1122 agency.

My amendment will also raise the threshold in the current 1122 legislation from \$100,000 to \$600,000—expected expenditures over \$600,000 will trigger the need for submission of the capital expenditure plan. In addition, section 1122C is amended to prevent medicare funds from being used to pay for any cost that the State may incur from implementation of 1122, rather the funds would be made available from the general revenues.

It is my feeling that these steps will insure that the States can continue to monitor the capital expenditures planned for their communities, and it is hoped the States will not approve those that are unnecessary.

Mr. President, I ask unanimous consent that the amendment be temporarily set aside with the other two Quayle amendments.

The PRESIDING OFFICER. Without objection, it is so ordered.

UP AMENDMENT NO. 113

(Purpose: To modify certain provisions relating to the establishment of the Commission of independent experts)

Mr. BAUCUS. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Montana (Mr. Baucus) proposes an unprinted amendment numbered 113.

Mr. BAUCUS. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 137, line 1, strike out "at least every five years" and insert in lieu thereof "from time to time, and at least every three years".

On page 137, line 6, strike out "adjustments to be made" and insert in lieu thereof "the need for adjustments".

On page 142, line 15, strike out "Commission of independent experts," and insert in lieu thereof "Prospective Payment Assessment Commission, composed of independent experts".

On page 142, line 17, strike out "to review" and insert in lieu thereof a comma and "which Commission, in addition to carrying out its functions under subsection (d)(4)(D), shall review".

On page 144, line 25, strike out "and" the first place it appears.

On page 146, line 1, strike out the period and insert in lieu thereof a comma and "and individuals having expertise in the research

and development of technological and scientific advances in health care."

On page 146, line 9, strike out "and".

On page 146, line 10, strike out "(iii)" and insert in lieu thereof "(iv)".

On page 146, between lines 9 and 10, insert the following new matter:

"(iii) national organizations representing manufacturers of health care products; and

On page 148, line 18, strike out "and".

On page 148, line 19, strike out the period and insert in lieu thereof a semicolon and "and".

On page 148, between lines 19 and 20, insert the following new matter:

"(iii) adopt procedures allowing any interested party to submit information with respect to medical and surgical procedures and services (including new practices, such as the use of new technologies and treatment modalities), which information the Commission shall consider in making reports and recommendations to the Secretary and the Congress.

Mr. BAUCUS. Mr. President, this is a technical amendment in fact, not in theory. It has been cleared all around. It is a clean amendment.

Essentially, it establishes in the medicare portions of the bill two minor changes in that portion of the bill which deals with the prospective payment assessment commission. In the bill, that commission is established to make sure that the DRG's and the beneficiary payments are adequate, neither excessive nor insufficient.

These two amendments are simple. One is to make sure that the DRG's are reevaluated every 3 years instead of every 5 years, and, second, to make sure the commission can draw on other groups in its membership.

That is what it is. It is clear. I thank the chairman for letting me introduce my amendment.

Mr. DOLE. Mr. President, I can state in this case that the amendment has been cleared. It is technical in nature. I think it is an improvement. I am prepared to accept the amendment. There is no objection on the other side.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment (UP No. 113) was agreed to.

Mr. DOLE. I move to reconsider the vote by which the amendment was agreed to.

Mr. BAUCUS. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

UP AMENDMENT NO. 114

(Purpose: To require appropriations with respect to certain provisions of sections 143, 144, and 145)

Mr. HATFIELD. Mr. President, I send an amendment to the desk on behalf of Senator STENNIS of Mississippi and myself and ask for its immediate consideration.

The PRESIDING OFFICER. Without objection, the Quayle amendment is laid aside.

The amendment of the Senator from Oregon will be stated.

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The assistant legislative clerk read as follows:

The Senator from Oregon (Mr. HATFIELD) for himself and Mr. STENNIS, proposes an unprinted amendment numbered 114.

Mr. HATFIELD. Mr. President, I ask unanimous consent that further reading be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 85, line 5, before the period insert "to the extent provided in advance in appropriation Acts".

On page 85, line 13, before the period insert "to the extent provided in advance in appropriation Acts".

On page 85, lines 16 through 19, strike out "There are hereby appropriated into such Trust Funds such sums as may be necessary to reimburse such Trust Funds for the amount of currently unnegotiated benefit checks".

On page 87, lines 4 and 5, strike out "of the enactment of the Social Security Amendments of 1983" and insert "on which funds therefor are appropriated".

On page 87, line 9, strike out "not otherwise appropriated" and insert "to the extent provided in advance in appropriation Acts".

Mr. HATFIELD. Mr. President, I wish to call the attention of the distinguished chairman of the Committee on Finance as well as other Members of the Senate to three troublesome provisions in the Finance Committee bill. These sections are 143, 144, and 145.

Section 143 of the committee bill appropriates "such sums as may be necessary" into social security trust funds to credit the amount of social security checks drawn on the Treasury but never negotiated. The committee report indicates that this provision would result in a one-time appropriation of about \$800 million. Under present law, such uncashed checks benefit the Treasury, not the trust funds. Further, the bill gives the Secretary of the Treasury extremely broad and vague authority to continue to credit unnegotiated Treasury checks to the trust funds. The committee report indicates this would be done regularly.

Sections 144 and 145 provide lump sum appropriations to credit the trust funds with an amount equal to the anticipated costs of military wage credits. Reimbursement to the trust funds is currently provided annually in the general appropriation bill for the Departments of Labor, Health and Human Services, Education, and Related Agencies. The committee provision does not change the formula for calculating these credits, but rather accelerates payment of anticipated credits to the present, so that the trust funds receive a one-time transfer from general revenues estimated in the committee report at \$18.4 billion.

I ask the chairman of the committee if he can inform us of the circumstances leading the committee to propose these extraordinary provisions.

Mr. DOLE. Mr. President, I thank the distinguished chairman of the Committee on Appropriations.

The extraordinary circumstances are simply the funding crisis facing the social security system. As the Senator knows, in 1981, the Congress permitted interfund borrowing to enable continued payments from the Federal old age and survivors insurance fund until Congress could work out a more durable solution to the OASI problem. The interfund borrowing authority expired in December 1982. We still face a serious funding shortfall, and the committee has endeavored to find funds for the system to prevent default in the near term. Sections 143 through 145 of our proposal would infuse the trust funds with a total of about \$19.2 billion, within 30 days of enactment of the bill.

The system of annual appropriations for the military wage credits has worked well in the past, and will continue to be the vehicle for adjustments to these credits. However, the crisis facing the system led the committee, as well as the Bipartisan Social Security Commission, to recommend a one-time change in the existing system.

Regarding the crediting of uncashed social security checks to the trust funds, this has been a longstanding anomaly in this system. Since the checks are drawn from the trust funds, it is only logical and proper that the trust funds, not the general fund of the Treasury benefit if the checks are not negotiated.

Mr. HATFIELD. Mr. President, I thank the chairman for his remarks. I certainly support the chairman's efforts to insure the solvency of the social security system. While I personally oppose the direct appropriations in sections 143, 144, and 145, and believe that a budget amendment for these funds should be submitted by the President for action by the Appropriations Committees, I understand the importance of immediately assuring our senior citizens that their benefits are secure. Therefore, my amendment does not touch section 145, which will infuse the system with \$13.2 billion within 30 days of enactment of this bill. Sections 143 and 144, however, add another \$6.6 billion to the trust funds, and there is no reason why these funds could not be provided in the normal manner in my opinion. I wonder if the Senator from Kansas would respond to that observation.

Mr. DOLE. The Senator is correct. With the almost immediate funds the social security system will gain from section 145, there will be no harm in providing the funds made available by sections 143 and 144 in the fiscal year 1983 supplemental appropriation bill. Therefore, I have no objection to the Senator's amendment.

The Finance Committee believes that the Congress should adhere to the conventional authorization/appropriation process whenever possible. Reluctantly, however, the urgency and

high priority of the social security crisis led the committee to recommend the departure from the normal procedure embodied in these sections.

I might say as an aside that I certainly understand, as chairman of a major committee, the importance of playing by the rules. I can assure the distinguished chairman of the Appropriations Committee that we do not intend to depart from the normal procedure. It was done in this instance only because of the urgency of the matter. I urge the adoption of the amendment.

Mr. HATFIELD. I thank the Senator.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment (UP No. 114) was agreed to.

Mr. HATFIELD. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. DOLE. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. HATFIELD. Mr. President, I shall yield to the Senator from Mississippi if he has some comments.

Mr. STENNIS. I thank the Senator.

First, Mr. President, I want to commend highly the Senator from Oregon, the chairman of our Committee on Appropriations, for the scrupulous and diligent way in which he follows through these special duties that he has to keep the bill clean of legislation and keep other bills in line, and for maintaining that principle for the Appropriations Committee.

I know this was all done in the utmost good faith by the legislative committee. Nevertheless, there just has to be a standard and we have to have someone who will follow it up and see that that standard is maintained. This might be just ordinary moving along and not important to some, but this goes to the very heart of the principles upon which we operate. I am very proud to see him, again and again, maintain this balance of requirements and get results.

I am delighted to support him in all this endeavor and in the amendments, each one of them.

I thank the Senator.

Mr. HATFIELD. I thank the Senator from Mississippi.

Mr. President, the Senator from Mississippi is a valuable member of our committee and has certainly been stalwart in maintaining the integrity of the appropriations process. I have always appreciated his willingness to do battle at times when it is necessary.

I would also like to call the attention of the chairman of the Finance Committee to section 339 of H.R. 1900, as passed by the House of Representatives. This provision establishes a joint study panel on the Social Security Administration (SSA) to determine whether SSA should become an inde-

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pendent agency. The panel is established under the direction of the Committee on Finance and the Committee on Ways and Means, and reports directly to the two chairmen.

While I do not want to take a position on whether such a study is needed, I do oppose the establishment of such a panel. The funding arrangement for the panel is most irregular. Section 339(b)(5) of H.R. 1900 appropriates "such sums as the chairmen of the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate shall jointly certify to the Secretary of the Treasury as necessary."

As the chairman knows, there are long-standing procedures in both Houses for expenditure of funds by congressional committees. In the Senate, these procedures include submission of an annual budget request by committees to the Rules Committee, and eventual adoption of specific funding levels for each committee by the full Senate. These expenses are then appropriated in an appropriation bill for the legislative branch. I see no reason to deviate from this procedure to establish such a panel. If such a study is essential, it can be funded through the normal process.

The Committee on Finance has not included a comparable provision in its amendment, and I would like to ask the chairman if he shares my deep reservations about this section.

Mr. DOLE. I do share the Senator's reservation, and as he pointed out the committee did not include a comparable provision in its bill. The Senate has adopted an amendment by the Senator from Pennsylvania (Mr. HEINZ) which calls for such a study but without the irregular funding arrangements called for in H.R. 1900. I certainly will work in the conference to assure that the House provision is not adopted.

Mr. HATFIELD. Mr. President, I want to thank the Senator for this colloquy because I think it is well to make the record at this point so everyone has a clear understanding of exactly what we are doing and to take the action before the fact so that if we run into problems later, then at least we will have done everything we can to make the system work.

I congratulate the Senator from Kansas for he has really undertaken a monumental task, and I am sure that it is a no-win situation because anybody and everybody can find something to pick at in this type of comprehensive package. Sure, I do not agree with every section of it or every idea expressed in it, but I am going to support the Senator from Kansas right down the line as much as I can because I think he has brought to the floor an important piece of legislation. I did not raise these issues to harass him or to create problems for an already overburdened person, but I do want to thank him for responding to these issues.

Mr. DOLE. If the Senator will yield, I certainly appreciated, as did the Senator from Mississippi, the Senator from Oregon raising these questions. They are real questions that should be dealt with and it is not the intent—as I indicated in the statement—it is only because of the extraordinary circumstances, but it should have been called to our attention by the Senate Finance Committee. For that I apologize, but at least the Senator was alert to it and we have made a record. We do not intend to violate the comity between committees and we will continue to operate in that fashion.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. COCHRAN). The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. DOLE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. Mr. President, it is my understanding that we were going to move on to the jobs bill, but I have now learned that they are not quite prepared to do that. There are a number of amendments that we would like to take up on the social security package in the meantime. I know the distinguished Senator from Michigan has an amendment, the Senator from Montana has two amendments, the Senator from New Hampshire has an amendment, the Senator from South Dakota (Mr. PRESSLER) has an amendment, the Senator from North Carolina (Mr. HELMS) has an amendment, the Senator from Kansas will have an amendment later, Senator Lowe has two amendments.

I hope that would just about take care of most amendments. If there are Members within earshot, we might be able to squeeze in one more amendment while we are working out the final details on the jobs bill. It is still our hope that we could forge ahead this evening. It is still early. We would like to go to conference tomorrow afternoon on social security and bring the package back tomorrow night and finish up. That is probably not going to happen.

I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. HELMS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

UP AMENDMENT NO. 118.

(Purpose: To provide for the establishment of individual retirement security accounts)

Mr. HELMS. Mr. President, I have an unprinted amendment at the desk which I call up.

The PRESIDING OFFICER. Without objection, the amendment of the

Senator from Indiana will continue to be set aside.

The amendment of the Senator from North Carolina will be stated.

The legislative clerk read as follows:

The Senator from North Carolina (Mr. HELMS) proposes an unprinted amendment numbered 115.

Mr. HELMS. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the appropriate place in the bill, insert the following new section:

Sec. .(a)(1) Subpart A of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1954 (relating to credits allowable against tax) is amended by inserting after section 44G the following new section: "SEC. 44H. CONTRIBUTIONS TO INDIVIDUAL RETIREMENT SECURITY ACCOUNT.

"(a) GENERAL RULE.—In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to 20 percent of the amounts contributed by the taxpayer to an individual retirement security account of the taxpayer during the taxable year.

"(b) LIMITATION.—The amount of any contributions taken into account under subsection (a) shall not exceed the amount of taxes paid by the taxpayer to the Federal Old Age and Survivors Insurance Trust Fund under section 3101 for the taxable year.

"(c) INDIVIDUAL RETIREMENT SECURITY ACCOUNT.—For purposes of this section, "the term 'individual retirement security account' shall have the meaning given to such term by section 130(c)(1).".

(2)(A) Subsection (b) of section 6401 of such Code (relating to excessive credit is treated as overpayments) is amended—

(b) by striking out "and 43 (relating to earned income credit)," and inserting in lieu thereof "43 (relating to earned income credit), and 44H (relating to contributions to individual retirement security account).", and

(c) by striking out "39 and 43" and inserting in lieu thereof "39, 43, and 44H".

(B) Paragraph (2) of section 55(f) of such Code (defining regular tax) is amended by striking out "39 and 43" and inserting in lieu thereof "39, 43, and 44H".

(3) In prescribing the forms by which any individual liable for any tax imposed by subtitle A of the Internal Revenue Code of 1954 shall make a return for taxable years beginning after December 31, 1983, the Secretary of the Treasury shall ensure that any such individual who is eligible for a credit under section 44H of such Code may claim the credit allowable under such section on any such form.

(4) The table of sections for subpart A of part IV of subchapter A of chapter 1 of such Code is amended by inserting before the item relating to section 45 the following new item:

"Sec. 44H. Contributions to individual retirement security account".

(5) The amendments made by this section shall apply to taxable years beginning after December 31, 1983.

(b)(1) Part III of subchapter B of chapter 1 of the Internal Revenue Code of 1954 (relating to items specifically excluded from gross income) is amended by redesignating section 130 as section 131 and by inserting after section 129 the following new section:

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"SEC. 130. INCOME FROM INDIVIDUAL RETIREMENT SECURITY ACCOUNT.

"(a) In GENERAL.—Gross income does not include income which—

"(1) accrues on amounts contributed to an individual retirement security account, and

"(2)(A) remains in such account until the taxpayer attains age 62, or

"(B) is withdrawn from such account before the taxpayer attains age 62 for the purchase of life insurance, health insurance, or disability insurance for the taxpayer.

"(b) ACCOUNT EXEMPT FROM TAX.—Any individual retirement security account is exempt from taxation under this subtitle.

"(c) DEFINITIONS.—For purposes of this section—

"(1) INDIVIDUAL RETIREMENT SECURITY ACCOUNT.—The term 'individual retirement security account' means an account—

"(A) which is established by the taxpayer with a qualified fiduciary;

"(B) which by written agreement or applicable law provides that—

"(i) amounts may be withdrawn therefrom before the taxpayer attains age 62 only for the purposes specified in subsection (a)(2)(D), and

"(ii) the interest of the taxpayer in the balance of his account is not forfeitable; and

"(C) to which the taxpayer makes contributions, in order to ensure the taxpayer an adequate retirement income upon attaining age 62.

"(2) Qualified fiduciary.—The term 'qualified fiduciary' means a bank or other person who demonstrates to the satisfaction of the Secretary that the manner in which he will administer the account will be consistent with the requirements of this section. An account shall not be disqualified under this paragraph merely because a person other than the fiduciary so administering the account may be granted, in the instrument creating the account, the power to control the investment of the account funds either by directing investments (including reinvestments, disposals, and exchanges) or by disapproving proposed investments (including reinvestments, disposals, and exchanges).".

(2) The amendments made by this section shall apply to taxable years beginning after December 31, 1983.

(c) Section 215 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"(d)(1) For purposes of determining old-age and survivors insurance benefits based upon the wages and self-employment income of an individual with respect to whom contributions are made to an individual security retirement account, such primary insurance amount shall be reduced by an amount that bears the same ratio to such primary insurance amount (as determined without regard to this subsection) as the IRSA offset amount determined with respect to such individual bears to the present value of the OASI annuity amount determined with respect to such individual.

"(2) For purposes of this subsection—

"(A) The term 'individual retirement security account' shall have the meaning given to such term in section 130(c)(1) of the Internal Revenue Code of 1954.

"(B) The term 'IRSA offset amount' means, with respect to an individual described in paragraph (1), an amount equal to the sum of amounts—

"(i) contributed by such individual to the individual retirement security account established with respect to such individual, and

"(ii) taken into account for purposes of determining a credit allowed to such individual under section 44H of the Internal Revenue Code of 1954.

(compounded, for the period beginning with the date on which the return in which such

credit was claimed was required to be filed and ending with the date on which such individual retires, by the social security yield rate determined with respect to such individual);

"(C)(1) The term 'present value of OAST benefit annuity amount' means an amount that would, if invested at a rate of interest equal to the rate of interest payable on United States Treasury bills at the beginning of the period of entitlement determined with respect to the wages and self-employment income of an individual, produced by the end of such period of entitlement, an amount equal to the amount of benefits which would be payable under section 202 on the basis of such wages and self-employment income (but for the application of paragraph (1)) for such period of entitlement.

"(ii) In determining the amount of benefits which would be payable for the period of entitlement determined with respect to the wages and self-employment income of an individual, the rate of the cost-of-living increase under subsection (i) for the cost-of-living computation quarter immediately preceding the beginning of such period of entitlement shall be assumed to apply to each base quarter in such period of entitlement.

"(D) The term 'period of entitlement' means, with respect to the wages and self-employment income of an individual described in paragraph (1), the period beginning with the date on which such individual retires and ending with the date on which such individual would attain the expectation of life (determined in accordance with the official life table and in accordance with the applicable provisions of this Act as in effect on the first day of such period).

"(E) The term 'social security yield rate' means, with respect to an individual described in paragraph (1), the rate of yield that, if earned on the OAST tax amount determined with respect to such individual, for the period beginning with the date on which such taxes were paid and ending with the date on which such individual retires, would produce an amount equal to the present value of the OASI benefit annuity amount determined with respect to such individual.

"(F) The term 'OASI tax amount' means with respect to an individual described in paragraph (1), the amount of taxes paid to the Federal Old-Age and Survivors Insurance Trust Fund with respect to such individual under sections 3101(a), 3111(a), and 1401(a) of the Internal Revenue Code of 1954 during the 80 highest quarters of coverage for such individual.

"(G) The term 'cost-of-living computation quarter' shall have the meaning given to such term in subsection (i)(1)(B).

"(H) The term 'base quarter' shall have the meaning given to such term in subsection (i)(1)(A).

"(I) The term 'quarter of coverage' shall have the meaning given to such term in subsection 213(a)(2).

"(J) The term 'official life table' means the life table for total persons in the United States that is prepared decennially by the National Center for Health Statistics for the 3-year period centering around the year of the decennial population census.".

Mr. HELMS. Mr. President, at the outset, let me pay my genuine respects to the distinguished Senator from Kansas, the chairman of the Finance Committee, and the members of the committee for the long and arduous work they have done in connection with this piece of legislation.

In particular, Senator DOLE, while carrying an enormous load in other

legislative matters, has devoted an unbelievable amount of time to this bill, which is about to be concluded tonight.

Senator DOLE has said many times that the bill now before the Senate is not satisfactory to everybody. I hope I may be able to make a suggestion that will offer material improvement, particularly regarding the young people just entering the work force but important for all citizens participating in social security.

Mr. President, millions of Americans have waited patiently for Congress to come up with a plan to rescue social security. They watched as a 15-member, blue ribbon commission studied social security's funding problems and then offered a solution that fell pitifully short of its mark. While the panel's plan might or might not have bridged the \$200 billion short-term deficit, it provided little relief for social security's whopping \$2 trillion long-range debt.

Then Americans looked on as Members of Congress debated solutions to the system's long-term funding crisis. Members of the House recommended we solve the problem by making working men and women stay in the work force beyond the present retirement age. Still others suggested we reduce future benefits to our senior citizens or enact standby tax increases in excess of those contained in the bill before us now.

Mr. President, these patchwork efforts just will not work. Fundamental problems with social security remain unsolved. They cannot be patched. We will be deceiving ourselves—and the American people—if we do not face up to the seriousness of the social security crisis and offer something better than the reform bill now before us.

Population-growth patterns show that fewer than two workers will be supporting each retired person early in the next century. Is there any wonder so many Americans have so little confidence in social security? A recent Washington Post-ABC News poll revealed that 66 percent of workers under 45—and 70 percent of those under 30—believe social security will not even exist when they retire.

I, for one, believe Americans deserve more than the present bankrupt retirement system, which is subject to the whims of politicians. That is precisely why I am offering this amendment—to provide working men and women a supplement to the present system. It would establish a new kind of private savings plan which I call an individual retirement security account (IRSA). Unlike social security, which is not really a retirement insurance and savings program at all, these new accounts would allow each working American to save and invest for his or her own retirement security. For the first time ever, there would actually be a trust fund.

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Mr. President, I propose these accounts be set up in banks, savings and loans, and other lending institutions approved under the Treasury regulations. The capital pool created in the private sector by these accounts would provide an enormous stimulus to our economy. These IRSAs would encourage savings and investment, create jobs, help lower interest rates, and in the process restore strength and vitality to our economy.

Some Senators perhaps are thinking that IRSAs sound quite a bit like the present IRA accounts. Well, they are very similar. There are some important differences, however. Instead of the income tax deductions allowed individuals who set up IRAs, my amendment provides a tax credit to encourage IRSAs. The tax credit would equal 20 percent of the amount an individual invests in an IRSAs, subject to a limit of 20 percent of the individual's payroll tax liability for that year.

There would be no limit on the amount that could be deposited in IRSAs. Interest, dividends, and capital gains accumulated in the IRSAs would be tax exempt, and annuities and withdrawals from it upon retirement anytime after age 62 would be tax free. Funds held in an IRSAs account could be used tax free by a worker before age 62 to acquire life insurance, health insurance, or disability insurance. The individual could participate with his fiduciary in managing the IRSAs as a fully funded individual retirement program.

Mr. President, I ask unanimous consent that a table be printed in the RECORD at this point.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

ESTIMATED IRSAs PARTICIPATION AND INVESTMENT

[Dollar amounts in billions]

Year	Participation rate in IRSAs	Amount invested
1984	0.01	\$0.894
1985	.03	3.072
1986	.07	7.802
1987	.10	12.050
1988	.13	16.926
1989	.16	22.432
1990	.19	31.037
1991	.24	42.288
1992	.30	57.000
1993	.38	77.900
Total		271.401

Mr. HELMS. Mr. President, the preceding table reflects the huge amounts of money that will be invested in the private sector at various rates of IRSAs participation.

For example, let us assume that 1 percent of social security participants set up IRSAs accounts in 1984; \$894 million would be left in the economy for the creation of jobs and so forth.

If you will look down the table, 10 percent participation in 1987 would result in \$12 billion left in the private sector. Go all the way down to 1993 and the total amount of money with

38 percent of the work force participating would be \$271,401 million invested in the private sector.

For those who do not have a calculator handy the total amount invested over the next decade would be in excess of \$271 billion, which is one whale of a lot of money.

Mr. President, sooner or later, a plan such as the one I am proposing is going to be made mandatory in this country because as fewer and fewer workers support more and more retirees the system we now have will simply fold under the financial strain.

My plan, however, is completely voluntary, and I simply want to offer these IRSAs to the working men and women of this country as a supplement to social security.

Let me emphasize they certainly are not mandatory and more importantly they do not take one penny away from the payroll taxes so vital to the present beneficiaries.

Mr. DOLE. Mr. President, as I have indicated earlier, and I cannot remember which day—we have been on this bill sort of off and on—the distinguished Senator from North Carolina, Senator HELMS, was kind enough to come before our committee and discuss what I consider to be a very innovative idea and then he discussed it later in the Chamber when he offered his proposal, and now this is the so-called IRSAs part of his total package. As the Senator pointed out earlier about 11 of the 20 provisions in the Senator's bill have now become a part of the package before the Senate. So there is more than 50 percent of what the Senator was trying to achieve in the package. The ERISA concept would provide some additional capital for the private sector. There is some question as to how many people will contribute to an IRSAs if it will reduce their social security benefits.

As I understand the statement just made by the Senator from North Carolina it is intended to be supplemental.

Mr. HELMS. That is correct.

Mr. DOLE. Whether or not that would have any reduction the Senator from Kansas is not certain from a cursory reading of the amendment.

The problem that concerns the Senator from Kansas is whether or not there is any revenue impact, and we have not had an opportunity with the joint committee to make any revenue estimates. Maybe the Senator from North Carolina has some estimate.

Mr. HELMS. I do. If the Senator will yield, I perhaps moved too rapidly in putting too much in the RECORD, but it depends on how you look at it.

I choose to look at it from the standpoint of what this will generate in the private sector of our economy.

To answer the Senator's question, for fiscal 1984 it would cost \$179 million. That is assuming 1-percent participation.

Mr. DOLE. That would be a credit, as I understand, against taxes, so it

would be a loss to general revenues, if there is 1-percent participation. If participation were higher, say, the loss would be greater, but on the other hand the benefits that might offset a greater portion of that loss.

Mr. HELMS. Yes.

Mr. DOLE. Again, I do not know how far the Senator from North Carolina wishes to press the amendment. I would hope that he would permit us to continue to explore the possibility. It makes a great deal of sense, and the Senator from Idaho, I might add, has somewhat similar provisions that he has discussed and what we have done in that case, which we can also do in this case if it would satisfy the Senator from North Carolina, is to ask the Treasury Department and the Social Security Administration to take a look at this new concept and give us some definitive response within 6 to 9 months to determine whether or not this might be a good supplemental program because, as pointed out by the Senator before our committee and again in the Chamber tonight, this will provide opportunities not now available to those who will be retiring down the road.

I do not know whether the Senator wishes to have a vote on the amendment tonight or whether we can accommodate him in some other way.

Mr. HELMS. I want to work with the Senator from Kansas in any possible way.

Let me just say for the RECORD that whereas our calculations are that it will cost \$179 million in 1984 with that 1-percent-assumed participation, the total of \$894 million left in the private sector would, I think, more than offset that in terms of generating jobs.

Mr. DOLE. Mr. President, if the Senator will yield, I think the strength of the idea is that it would cause people to take more of an interest in their own retirement.

Mr. HELMS. The Senator is correct.

Mr. DOLE. I assume that more responsibility and more concern are probably the underlying bases for the amendment.

Again, I am not prepared to accept the amendment. I am certainly willing to work with the distinguished Senator from North Carolina. It is a good idea. If we could have some time I am willing to request the Treasury and any other appropriate agency to take a look at title I of the Senator's amendment and to give us some response as far as costs, what they think what percent of people might use it, what the impact might be on retirement, might be on individuals, and how it mixes with the private pension plans as well as the social security program and any other thing that the Senator thinks we might want to include in that request, and we are certainly most willing to do that.

Mr. HELMS. I think that is a good idea and I express my appreciation to the Senator from Kansas.

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Let me make this suggestion: that his staff, and mine, and perhaps the staff of Senator SYMMS, because he is also interested in it, consider the production of a package of a number of things and submit them to the Senator. Then he can proceed with the Treasury Department. We can eliminate what is not workable, and pick it up from there. With that understanding, I would see no point in having a rollcall. I would rather work with the Senator because I know of his interest in trying to free this incentive for a private retirement system.

Mr. DOLE. I might say to the Senator there is a great deal of interest in our committee and pretty widespread in the Senate on both sides of the aisle in trying to beef up the IRA program, and this is another aspect you might consider. Our problem is where we find the revenue to offset the loss if we do that. But the Senator from Kansas is willing to do whatever he can because it is a good idea and it should be explored.

Mr. HELMS. All right.

Mr. DOLE. And it will be explored.

Mr. HELMS. Mr. President, I thank the Senator from Kansas. He is always thoughtful and always helpful, and I think we might be onto something, as the saying goes. Let us work in that direction.

With that in mind and with that understanding, I withdraw the amendment.

The PRESIDING OFFICER. The amendment is withdrawn.

Mr. DOLE. I thank the Senator from North Carolina.

UP AMENDMENT NO. 116

(Purpose: To index the base amount for the taxation of social security benefits)

Mr. HUMPHREY. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. Without objection, the amendment offered by the Senator from Indiana is temporarily set aside. The clerk will report.

The bill clerk read as follows:

The Senator from New Hampshire (Mr. HUMPHREY) proposes an unprinted amendment numbered 116.

Mr. HUMPHREY. I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 59, strike out lines 4 through 14, and insert in lieu thereof the following:

"(c) **BASE AMOUNT.**—For purposes of this section—

"(1) **IN GENERAL.**—The term 'base amount' means—

"(A) except as otherwise provided in this paragraph, \$25,000.

"(B) \$32,000, in the case of a joint return, and

"(C) zero, in the case of a taxpayer who—

"(1) is married at the close of the taxable year (within the meaning of section 143) but does not file a joint return for such year, and

"(ii) does not live apart from his spouse at all times during the taxable year.

"(2) INDEXING ADJUSTMENT.—

"(A) **IN GENERAL.**—The base amount which applies for any calendar year beginning after December 31, 1984, shall be the amount determined under paragraph (1), adjusted by the appropriate index factor for such year.

"(B) **INDEX FACTOR.**—For purposes of subparagraph (A), the index adjustment factor for any calendar year shall be equal to the wage adjustment for such year.

"(C) **WAGE ADJUSTMENT DEFINED.**—For purposes of this paragraph, the 'wage adjustment' for any calendar year is the percentage (if any) by which—

"(i) the average of the total wages for the preceding calendar year, exceeds

"(ii) such average for 1983.

"(D) **DETERMINATION OF AVERAGE OF TOTAL WAGES.**—For purposes of subparagraph (C), the average of the total wages for any calendar year shall be the average determined—

"(i) for the 12-month period ending on September 30 of such calendar year, and

"(ii) in the same manner as such average is determined for purposes of section 215(b)(3)(A)(ii) of the Social Security Act.".

Mr. HUMPHREY. Mr. President, as my colleagues know, the social security bill before the Senate contains a provision taxing social security benefits. The Finance Committee has constructed a system of thresholds above which beneficiaries will find their social security benefits, half of the benefits, subject to taxation. Those thresholds chosen by the Finance Committee are \$25,000 for a single taxpayer or \$32,000 on a joint return.

Completely divorced from the issue of the equity of taxing social security benefits is the matter of the thresholds themselves. This Senator has serious doubts at these relatively low levels of \$25,000 to \$32,000 that they represent an equitable threshold but even apart from that contention, Mr. President, I know a good number of my colleagues share the concern that because these thresholds are not indexed to inflation, in the language of the bill, that over a period of years, as inflation occurs, as undoubtedly it will, although we hope very much it will be at negligible levels, social security recipients and more and more recipients will be boosted above the thresholds and find their social security benefits subject to this taxation.

Mr. President, I have constructed a table which I have distributed to my colleagues showing the effect of inflation on the thresholds. This table makes a very modest assumption that inflation will average 4 percent per year over the next 10 years. I think we will count ourselves lucky if inflation remains that low over that span of time. But just basing it on the conservative projection of inflation at 4 percent per year, the \$25,000 threshold for single taxpayers is reduced to \$16,892 over a 10-year period. That is expressed in 1984 dollars. So it will go from \$25,000 to \$16,892 expressed in 1984 dollars, and the \$32,000 joint income go—joint return threshold will be reduced in value—to \$21,622 in 1984 dollars.

This is a very substantial erosion obviously of the value of the threshold,

and the upshot will be, of course, that many, many more social security beneficiaries will find their benefits taxed than anticipated by the Finance Committee.

We see the social security equivalent of bracket creep at work in the chart which I have constructed.

I know the Finance Committee will object to the amendment on the grounds that it would cost the Treasury some billions of dollars, I believe the figure the committee cites is about \$4 billion if the Senate adopts the Humphrey amendment to index these thresholds.

I suggest to my colleagues that whether the figure of lost revenue is \$4 billion or some other figure, higher or lower, those are ill-gotten dollars because they will be gained through, you might say, bracket creep in the social security system.

There are many who consider the taxation that occurs through raising of taxes, that occurs through bracket creep, to be a dishonest form of raising taxes and many say if Congress wants to raise greater tax revenues, it ought to have the courage to increase tax rates or tax increases directly and not permit bracket creep to work secretly, silently, and viciously. That is a great argument and that is why the Congress adopted indexation of the tax rates, IRS tax rates, for 1985, and that is why the President, including many others, including the chairman of the Finance Committee, I believe, are committed absolutely to retaining tax indexation as part of the President's tax package.

I wholeheartedly support them in that, and it is only fair to agree if we want to raise taxes we ought to have the courage to do it up front and in a straightforward fashion.

Likewise we should not seek to raise taxes through taxation of the social security benefits through the means of bracket creep and that is precisely what will occur if the Senate does not by some means or other index the tax on social security benefits. That is what the Senator from New Hampshire wants to do is to index the amounts so they will retain the value assigned to them by the Finance Committee in 1983.

Without indexation, as I have pointed out, the value of this threshold will steadily decline and more and more taxpayers of modest means, not well-to-do by any stretch of the imagination, but more and more taxpayers of modest means, will find their social security benefits subject to taxation.

Mr. President, I believe the amendment speaks for itself. It is simple, it is clear, it is a matter of fairness and equity, and a matter of doing things up front and straightforwardly, and I would urge my colleagues to adopt the amendment, and I will ask for the yeas and nays at this point, Mr. President.

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The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. HUMPHREY. I will relinquish the floor at this point, Mr. President.

The PRESIDING OFFICER. The Senator from Kansas.

Mr. DOLE. Mr. President, I want to thank the Senator from New Hampshire for bringing up this amendment. I just hope it does not pass. I know precisely what the amendment does. It is something we considered in the Commission, but as with all these other great ideas floating around, they cost a great deal of money. This one costs about \$6 billion between now and 1989 and I understand about \$4.2 billion every year thereafter.

Mr. HUMPHREY. Will the Senator from Kansas yield for a question at that point?

Mr. DOLE. Yes.

Mr. HUMPHREY. Let me back up. Is it not correct that the Senator from Kansas, along with the President, supports retaining indexation of the IRS tax brackets?

Mr. DOLE. Yes; I view that a little differently. Yes; I strongly support indexing.

Mr. HUMPHREY. Yes; I am glad to hear that and I find my understanding reconfirmed.

Does not the Senator from Kansas agree that any—the Senator from Kansas contends this amendment will result in a loss of revenue but is that revenue to be lost, is that not ill-gotten revenue in that it results from bracket creep with respect to these thresholds?

Mr. DOLE. You mean we lose revenue?

Mr. HUMPHREY. Yes; the committee contends in its opposition to this amendment that we will lose some billions of dollars in revenue and I do not count that is so, that revenue lost is ill-gotten revenue because it is derived from the bracket creep.

Mr. DOLE. Let me say to the Senator from New Hampshire so far as indexing the Tax Code the Senator from Kansas and the Senator from Colorado and the Senator from New Hampshire, and I hope the majority of the Senate, will do all we can to retain indexing starting in 1985. But again I do not see that as parallel to this.

Second, if, in fact we find that inflation is based on the Senator's "Dear Colleague" letter, and I do not quarrel with that, if it moves that quickly, we can adjust the threshold for inflation, and we can do it without risk to the trust funds.

Again, it is a matter we discussed. It is not a matter we did not think of in the Commission. In fact, as I recall, maybe the Senator from Kansas raised it in the Commission hearings, and other Senators did also. So when we got all finished up and added up how much revenue we were going to have between now and 1999 and how much we were going to need, we did

not have any more room. And whether it is \$6 billion in the next 5 years and then \$4.2 billion a year, I think it is a matter of some concern.

That does not suggest if we have more money in the trust fund we could not index the thresholds. Very honestly, there are some, this Senator not included, who believe there should not be any thresholds, that you should tax the benefits period. That is not the view of the Senator from Kansas.

So again I am sympathetic with the amendment. But if we index the threshold we will have to make payroll taxes or cut benefits to make up the difference. So I think we have a choice. If we want to index the threshold, which is probably maybe a good idea down the road, but I do not believe it is a good idea now, then we have to be prepared.

I hope the Senator would be willing to offer another amendment which would either raise taxes or cut benefits to pay for it, because we really are in a tight bind.

I do not quarrel with the Senator from New Hampshire. I think it is a great idea—do not misunderstand me—but we are just not prepared to do anything about it because we are out of money.

Mr. HUMPHREY. If the Senator would yield, of course he is aware, in the event the trust fund falls below a certain floor, that a mechanism comes into play that will reduce COLA's cost-of-living allowances, for beneficiaries while holding safe lower income, that is social security benefits with a lower range of values. So it is not absolutely correct to say that passage of this amendment is going to result in some kind of crisis because that COLA mechanism will come into play.

Mr. DOLE. I say to the Senator, he is correct. But I would also say when we adopted these fail-safe provisions, we were under the impression in our committee there would not be indexing of the threshold. Had we provided indexing of the threshold, we might have provided another fail-safe mechanism. The fact that we index the rate structure does not mean that we index every fixed dollar amount in the Tax Code.

I know the Senator wants a vote on this amendment. I hope we can persuade him not to have a vote. He is certainly entitled to a vote. It is an idea that deserves consideration and I appreciate the Senator offering it. I only wish we could accept it.

Mr. HUMPHREY. Mr. President, to conclude, briefly, let me state that I am perfectly willing to stack the vote or to handle it in whatever way it is convenient to my colleagues.

I find myself, unfortunately, in disagreement with the Senator from Kansas. Any revenue loss attributed to this amendment would be revenue dishonestly gained in the view of this Senator because it will result from bracket creep. It will result from more and more taxpayers of modest income

finding their social security benefits taxed.

As I pointed out, my table shows that with a 4-percent rate of inflation, which is modest, the \$25,000 threshold would fall in value to \$16,892 over 10 years, expressed in 1984 dollars; the \$32,000 threshold will fall to \$21,622. So more people will find their benefits taxed. Tax revenues will rise, of course, because of that, but those will be ill-gotten gains and not straightforwardly secured type of revenues. So it is a simple matter of equity, especially in light of the taxation of IRS tax brackets which should apply the same mechanism to these thresholds.

Mr. President, if the leadership wishes, I would be happy to stack the vote.

Mr. BAKER. Mr. President, if the Senator would yield to me, I think we are ready to vote. I believe that after this vote we will indeed be ready to go to the jobs conference report.

So if the Senator from New Hampshire wishes to vote, I have no objection to doing it at this time. I appreciate his offer, however.

The PRESIDING OFFICER. Is there further debate on the amendment?

If not, the question is on agreeing to the amendment of the Senator from New Hampshire (Mr. HUMPHREY). The yeas and nays have been ordered, and the clerk will call the roll.

The bill clerk called the roll.

Mr. STEVENS. I announce that the Senator from Alabama (Mr. DENTON), the Senator from Arizona (Mr. GOLDWATER), and the Senator from Illinois (Mr. PERCY) are necessarily absent.

I further announce that, if present and voting, the Senator from Alabama (Mr. DENTON) would vote "nay."

Mr. BYRD. I announce that the Senator from California (Mr. CRANSTON) is necessarily absent.

The PRESIDING OFFICER. Are there any other Senators in the Chamber wishing to vote?

The result was announced—yeas 22, nays 74, as follows:

[Rollcall Vote No. 43 Leg.]

YEAS—22

Abdnor	Garn	Nickles
Armstrong	Hatch	Roth
Biden	Hawkins	Rudman
Boschwitz	Heflin	Symms
Bradley	Helms	Trible
D'Amato	Humphrey	Wilson
DeConcini	Mattingly	
East	McClure	

NAYS—74

Andrews	Dole	Jackson
Baker	Domenici	Jepsen
Baucus	Durenberger	Johnston
Bentsen	Eagleton	Kassebaum
Bingaman	Exon	Kasten
Boren	Ford	Kennedy
Bumpers	Glenn	Lautenberg
Burdick	Gorton	Laxalt
Byrd	Grassley	Leahy
Chafee	Hart	Levin
Chiles	Hatfield	Long
Cochran	Hecht	Lugar
Cohen	Heinz	Mathias
Danforth	Hollings	Matsunaga
Dixon	Huddleston	Melcher
Dodd	Inouye	Metzenbaum

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Mitchell	Quayle	Stevens
Moynihan	Randolph	Thurmond
Murkowski	Riegle	Tower
Nunn	Sarbanes	Tsongas
Packwood	Sasser	Wallop
Pell	Simpson	Warner
Pressler	Specter	Weicker
Proxmire	Stafford	Zorinsky
Pryor	Stennis	

NOT VOTING—4

Cranston	Goldwater
Denton	Percy

So Mr. HUMPHREY's amendment (UP No. 116) was rejected.

Mr. DOLE. Mr. President, I move to reconsider the vote.

Mr. MOYNIHAN. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

UP AMENDMENTS NOS. 110 AND 112

The PRESIDING OFFICER. The Senator from Indiana.

Mr. QUAYLE. Mr. President, under a unanimous-consent agreement, there are three Quayle amendments that have been temporarily laid aside pending the return of the Senator from Louisiana to try to get his agreement. He has returned. We have an agreement on two of the three amendments. I ask unanimous consent that the first and third Quayle amendments, one dealing with IRA and one dealing with section 1122, be considered en bloc.

The PRESIDING OFFICER (Mr. JEPSEN). Is there objection?

Mr. DOLE. Mr. President, as I understand, that is the IRA amendment and the medicare amendment.

Mr. QUAYLE. The Senator is correct.

The PRESIDING OFFICER. Is there objection?

Without objection it is so ordered.

Mr. QUAYLE. I move adoption of the amendments en bloc.

The PRESIDING OFFICER. The question is on agreeing to the amendments en bloc.

The amendments (UP No. 110 and UP No. 112) were agreed to en bloc.

Mr. QUAYLE. I move to reconsider the vote by which the amendments were agreed to en bloc.

Mr. BAKER. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. BAKER. Mr. President, I yield to the distinguished Senator from Kansas.

Mr. DOLE. Mr. President, there have been some questions by Senators on the two amendments adopted. They were discussed earlier. They were laid aside temporarily so they could be checked with the distinguished Senator from Louisiana. He had the conversation with the distinguished Senator from Indiana and two of the three were cleared. There is still one pending.

Mr. President, I ask unanimous consent to have the following materials printed in the RECORD: A list of members of the National Commission on Social Security Reform and a brief

statement of their past accomplishments, a brief summary of the activities of the Commission, a supplementary statement on the long-range financing of the social security program which was made jointly by eight other members of the Commission and this Senator, the supplemental views of this Senator and Congressman CONABLE, and a list of the staff members of the Commission.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

APPOINTED BY THE PRESIDENT

Alan Greenspan, Chairman—Chairman and President, Townsend-Greenspan and Company, New York, NY. Dr. Greenspan is a distinguished economist and a former Chairman of the Council of Economic Advisers (under President Ford).

Robert A. Beck—Chairman of the Board and Chief Executive Officer, Prudential Insurance Company of America, Newark, NJ. (the largest insurance company in the country). Mr. Beck has played an important role in developing the position on the Social Security program of the Business Roundtable and other important business groups.

Mary Falvey Fuller—Management Consultant, San Francisco, CA. (Ms. Fuller was a member of the 1978 Advisory Council on Social Security).

Alexander B. Trowbridge—President, National Association of Manufacturers, Washington, DC. Mr. Trowbridge was Secretary of Commerce under President Johnson.

Joe D. Waggonner, Jr.—Consultant, Bossier Bank and Trust Company, Bossier City, LA. Mr. Waggonner was a Member of Congress from Louisiana in the 87th to 95th Congresses and was active in Social Security legislation, as a member of the Committee on Ways and Means.

APPOINTED BY THE MAJORITY LEADER OF THE SENATE, IN CONSULTATION WITH MINORITY LEADER

William Armstrong—Senator from Colorado and Chairman of the Subcommittee on Social Security, Committee on Finance.

Robert Dole—Senator from Kansas and Chairman of the Committee on Finance.

John Heinz—Senator from Pennsylvania and Chairman of the Special Committee on Aging and a member of the Committee on Finance.

Lane Kirkland—President, American Federation of Labor-Congress of Industrial Organizations. Mr. Kirkland has, for many years played an active role in the development of Labor's position on Social Security.

Daniel Patrick Moynihan—Senator from New York and Ranking Minority Member of the Subcommittee on Social Security, Committee on Finance.

APPOINTED BY THE SPEAKER OF THE HOUSE OF REPRESENTATIVES, IN CONSULTATION WITH THE MINORITY LEADER

William Archer—Representative from Texas and Ranking Minority Member of the Subcommittee on Social Security, Committee on Ways and Means.

Robert M. Ball—Visiting Scholar, Center for the Study of Social Policy, Washington, DC. Mr. Ball was Commissioner of Social Security in 1962-73 and held various positions with the Social Security Administration during the preceding 25 years.

Barber Conable—Representative from New York and Ranking Minority Member of the Committee on Ways and Means.

Martha E. Keys—Director of Educational Programs, The Association of Former Members of Congress, Washington, D.C. Ms.

Keys was a Member of Congress from Kansas, in the 94th and 95th Congresses and, as a Member of the Committee on Ways and Means, was active in Social Security legislation. Assistant Secretary of Health and Human Services, 1980-81.

Claude D. Pepper—Representative from Florida and currently Chairman of the Committee on Rules. Previously, he was Chairman of the House Select Committee on Aging and formerly was a Senator from Florida.

SUMMARY OF ACTIVITIES OF COMMISSION

On December 16, 1981, President Reagan promulgated Executive Order 12335, which established the National Commission on Social Security Reform. The National Commission was created as a result of the continuing deterioration of the financial position of the Old-Age and Survivors Insurance Trust Fund, the inability of the President and the Congress to agree to a solution, and the concern about eroding public confidence in the Social Security system.

The Executive Order provided that the National Commission should:

... review relevant analyses of the current and long-term financial condition of the Social Security trust funds; identify problems that may threaten the long-term solvency of such funds; analyze potential solutions to such problems that will both assure the financial integrity of the Social Security System and the provision of appropriate benefits; and provide appropriate recommendations to the Secretary of Health and Human Services, the President, and the Congress."

In carrying out its mandate, the National Commission met ten times, on approximately a monthly basis. Because of the brevity of the time in which to complete its work, the National Commission held no public hearings. However, it reviewed the results of the many hearings, studies, and reports of other public bodies, including Congress, the 1979 Advisory Council on Social Security, and the 1981 National Commission on Social Security. The National Commission on Social Security Reform sought the advice of a number of experts and thoroughly examined a wide variety of alternative approaches.

The Commission agreed that there was a financing problem for the Old-Age, Survivors, and Disability Insurance program for both the short run, 1983-89 (as measured using pessimistic economic assumptions) and the long range, 1983-2056 (as measured by an intermediate cost estimate) and that action should be taken to strengthen the financial status of the program. The Commission recognized that, under the intermediate cost estimate, the financial status of the OASDI program in the 1990's and early 2000's will be favorable (i.e., income will significantly exceed outgo). The Commission also recognized that, under the intermediate cost estimate, the financial status of the Hospital Insurance program becomes increasingly unfavorable from 1990 until the end of the period for which the estimates are made.

The Commission studied a large number of options that would solve the financing problems of the Social Security program, both short-range and long-range. These are summarized in some 55 pages of its report.

The Commission was able to reach a consensus for meeting the short-range and long-range financial requirements, by a vote of 12 to 3.

The members of the Commission voting in favor of the "consensus" package agreed to a single set of proposals to meet the short-range deficit. They further agreed that the

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long-range deficit should be reduced to approximately zero. The single set of recommendations would meet about two-thirds of the long-range financial requirements. Seven of the 12 members agreed that the remaining one-third of the long-range financial requirements should be met by a deferred, gradual increase in the normal retirement age, while the other 5 members agreed to an increase in the contribution rates in 2010 of slightly less than ½ percent of covered earnings on the employer and the same amount on the employee, with the employee's share of the increase to be offset by a refundable income-tax credit.

A more complete description and rationale for the solution of the long-range financing problem supported by the Senator from Kansas is presented in the next section. The second following section gives an overall statement of the achievements of the Commission, as developed jointly by Congressman Conable, a member of the Commission and the Senator from Kansas.

STATEMENT ON MEETING THE LONG-RANGE FINANCING REQUIREMENTS BY COMMISSIONERS ARCHER, BECK, CONABLE, DOLE, FULLER, GREENSPAN, HEINZ, AND TROWBRIDGE¹

The recommendations made in the "consensus" package fail to meet the long-range goal of providing additional financing equivalent of 1.8 percent of taxable payroll. The shortfall is an estimated .58 percent of taxable payroll. We believe that this should be derived by a delayed, slowly phased-in increase in the "normal" retirement age (the age at which unreduced retirement benefits are available to insured workers, spouses, and widow(er)s—which is age 65 under present law).

The major reasons for this proposal are:

- (1) Americans are living longer.
- (2) Older workers will be in a greater demand in future years.
- (3) The disability benefits program can be improved to provide cash benefits and Medicare to those between age 62 and the higher normal retirement age who, for reasons of health, are unable to continue working.
- (4) Because the ratio of workers to beneficiaries is projected to decline after the turn of the century, younger generations are expected to pay significantly increased taxes to support the system in the 21st century. An increase in the normal retirement age will lessen the increase.
- (5) Given sufficient notice, coming generations of beneficiaries can adjust to a later retirement age just as earlier generations adjusted to age 65.

Although we believe that greater action in this direction may be desirable, we are suggesting only enough change to produce approximately the needed .58 percent of taxable payroll. The recommended change would apply only to the normal retirement age. Early-retirement benefits would continue to be available beginning at age 62 for insured workers and spouses and at age 60 for widows and widowers, but the actuarial reduction factors would be larger. The minimum age for eligibility for Medicare benefits would continue to be the "normal" retirement age for OASDI benefits. Disability benefits are now available under somewhat less stringent definitions for those aged 60-64. However, because some workers, particularly those in physically demanding employment, may not benefit from improvements in mortality and be able to work longer, we assume that the disability benefits program will be improved prior to the implementation of this recommendation to take into account the special problems of those between age 62 and the normal retirement age who are unable to extend their working careers for health reasons.

Under our proposal, the normal retirement age would be gradually increased—one month each year—to age 66 in 2015, beginning the phase-in with those who attain age 62 in 2000. Beginning with those who attain age 62 in 2012, the normal retirement age would be automatically adjusted (on a phased-in basis) so that the ratio of the retirement-life expectancy to the potential working-lifetime (from age 20 to the "normal" retirement age) remains the same over the years as it was in 1990. The estimated long-range savings of this proposal is 0.65 percent of taxable payroll.

ADDITIONAL VIEWS OF SENATOR ROBERT J. DOLE AND CONGRESSMAN BARBER B. CONABLE, JR.

When the National Commission of Social Security Reform was created on December 16, 1981, few people had real confidence in what the commission could accomplish. And little wonder. For the better part of a year, social security had been embroiled in political controversy. The system moved closer to insolvency as proposals for financial reform were subjected to partisan political attack. The 15 selected as commission members, moreover, embodied widely divergent views. At least to outsiders, these members probably seemed incapable of reaching any true bi-partisan consensus.

In the last several days, the commission accomplished what some said was impossible. With the cooperation and approval of President Reagan and House Speaker O'Neill, the commission forged a consensus reform package with broad bipartisan support. As detailed earlier in this report, the package is designed to close the short-term deficit identified by the commission, and go a long way toward closing the long-range deficit. It requires concessions from all of the parties who have a stake in social security—current and future beneficiaries, taxpayers, and government employees who do not now contribute to the system. While no one member is happy with every specific recommendation, the important fact is that a consensus was reached on how to save the system. The bipartisan reform package, which we plan to introduce into the Senate with Senators Heinz, Moynihan, and others, and into the House, merits speedy Congressional action.

Agreeing on the essential provisions of a social security solution was by no means the only accomplishment of the commission. It should be noted that the commission reached unanimous agreement on the size of the short- and long-term deficits in the social security cash benefit programs (old-age and survivors insurance and disability insurance). That is, in concrete dollar terms, the commission quantified the seriousness and the urgency of the financing problem. In our judgment, \$150-\$200 billion is the amount required to keep the system (excluding medicare) solvent through 1990. Over the very long term, the next 75 years, the needs of the system amount to about \$25 billion a year (in 1983 dollar terms) over and above currently scheduled tax income. Only a year ago, partisan lines were drawn between those who did and did not believe there was any financing problem at all before the year 2000.

In addition, the National Commission provided a valuable forum for the diverse views on social security. With the able leadership of Chairman Alan Greenspan and with the expert assistance of Executive Director Robert Myers, members of both political

parties were able to work together in studying the social security financing problem and options for financial reform. The interests of the elderly, organized labor and business, and the general taxpayer were all well represented. In recent weeks, we engaged in intensive negotiations which were, to a large extent, absent of the political partisanship that so seriously damaged efforts for responsible reform in 1981.

Finally, we believe the commission's recommendations are significant in that they narrowed the range of realistic options for closing the deficits. Realistic options were not judged to include, nor was there any support for, proposals to reduce or eliminate benefits for people now on the rolls. Options under consideration involved restraining the growth of benefits in future years and providing additional financing through some form of revenue increase. Current and future beneficiaries should be reassured by the unanimously held view that social security is an important and vital program that must be preserved.

With these accomplishments under our belts, we in Congress are in a strong position to hammer out the details of legislation in the early months of the 98th Congress. The expiration of interfund borrowing and the likely inability of the retirement program to pay full benefits in July make prompt action essential.

The financing problem

While the commission report accurately reflects the size of the social security financing problem, perspective may be provided by some additional facts. Most importantly, without prompt Congressional action, the social security retirement program will not be able to pay benefits on time beginning in July. In fact, were it not for "interfund borrowing," authorized by Congress in 1981 to permit the reserves of each social security trust fund (old age and survivors insurance, disability insurance, and hospital insurance) to be used to help pay benefits from another, the retirement program would have stopped meeting its monthly payments on time two months ago. With the authority for interfund borrowing now expired (as of December 31, 1982), July is when all of the money borrowed from the other two trust funds—\$17.5 billion in total—finally runs out.

Reauthorizing interfund borrowing can not help the retirement program for long. The retirement program is so large—accounting for 73 percent of all social security spending—and its borrowing demands are so heavy, the rest of the system could be insolvent before the year is out. The Social Security Board of Trustees, the Congressional Budget Office, and a wide variety of private actuaries and economists all agree that additional trust fund revenues must be provided or savings must be achieved if the social security system is to remain solvent through the remainder of this decade.

While it is the short-term financing problem that is immediately pressing, the long-term financing problem is equally serious, if not more so. The Social Security Board of Trustees reports that the combination of the baby-boom generation retiring and gradually lengthening lifespan will lead to a dramatic increase in the cost of social security—about 55 percent between 2005 and 2035 alone. In the year 2035, when the young people of today are beginning to retire, the actuaries expect that the elderly population will account for 21 percent of the overall population (as compared to 11 percent today), and the typical 65 year old will have a life expectancy of 17 years (as compared to 14.5 years today). The effect

¹ Source: Report of the National Commission on Social Security Reform, January 1983.